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# **NAVAL POSTGRADUATE SCHOOL**

## **Monterey, California**



## **THESIS**

**AN ANALYSIS OF THE PROBLEMS AND PROSPECTS  
FOR ADOPTING A PPBS-LIKE SYSTEM BY THE POLISH  
MINISTRY OF NATIONAL DEFENSE**

By

Konrad Struczyk

June 2001

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**AN ANALYSIS OF THE PROBLEMS AND PROSPECTS FOR ADOPTING A  
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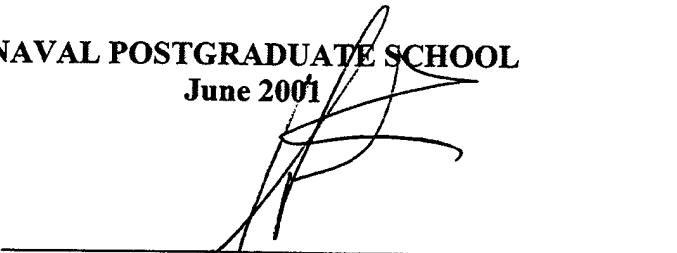
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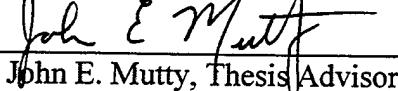
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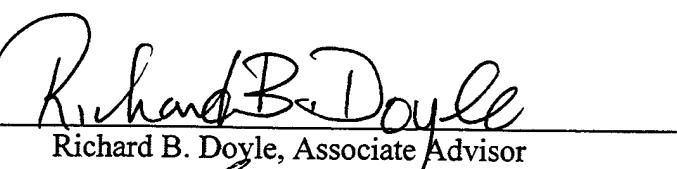
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## **ABSTRACT**

This thesis analyzes the possible problems and potential benefits that the Polish Government and the Polish Ministry of National Defense (PMND) might experience if these institutions implemented a system similar to the US Planning, Programming, and Budgeting System (PPBS). The thesis provides an overview of the PPBS at the Department of Defense level including a description of the main participants. It also provides a comparison of the different processes used by the US services. This is followed by a thorough description of the Polish Budgetary System. The analysis of the two systems reveals several significant differences. These differences stem from the laws, national interests and finally from the different structures of the armed forces. Even with these differences, the analysis shows several potential benefits that support incorporating a system based on the PPBS. These benefits include, a strategic planning approach toward managing scarce resources, long-term planning, and efficiencies that would ensue in the defense industry. Finally, a recommendation is made to implement a system similar to the PPBS in the Polish Ministry of National Defense.

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## Acronyms

AF	Air Force
AF/XPPE	Air Force Director of Programs Integration
AF/XPX	Air Force Director of Plans
AFB	Air Force Board
AFC	Air Force Council
AFCS	Air Force Corporate Structure
AFG	Air Force Group
AFSP	Air Force Strategic Plan
AMP	Army Modernization Plan
APG	Army Planning Guidance
APGM	Army Planning Guidance Memorandum
APPG	Annual Planning and Programming Guidance
ARB	Army Resource Board
ASA (FM&C)	Assistant Secretary of the Army for Financial Management and Comptroller
ASD (FM&P)	Assistant Secretary of Defense, Force Management Policy
ASD (H)	Assistant Secretary of Defense Health Affairs
ASD (R)	Assistant Secretary of Defense, Reserve Affairs
ASPG	Army Strategic Planning Guidance
BES	Budget Estimate Submission
BSO	Budget Submitting Office
CIA	Central Intelligence Agency
CINCs	Unified Commanders
CJCS	Chairman of Joint Chief of Staff
CNO	Chief of Naval Operations
CPA	Chairman's Program Assessment
CPAM	CNO Program Analysis Memorandum
CPG	Commandant's Planning Guidance
CPR	Chairman's Program Recommendations
CSPG	CNO Strategic Planning Guidance
DAB	Deputy Assistant Secretary of the Army for the Budget
DCS	Deputy Chief of Staff
DEPSECDEF	Deputy Secretary of Defense
DoD	Department of Defense
DoN	Department of the Navy
DPAE	Director of Program Analysis and Evaluation
DPAG	Defense Planning Advisory Group
DPG	Defense Planning Guidance
DPSB	DoN Program Strategy Board
DRB	Defense Resources Board
ESC	CNO Executive Steering Committee
FMB	Navy's Office of Budget/Fiscal Management Division
FYDP	Future Years Defense Programs
GDP	Gross Domestic Product
IBR	Investment Budget Review

IPL	Integrated Priority List
IPT	Integrated Process Teams
IR3B	Navy's Integrated Resources and Requirements Review Board
IWAR	Integrated Warfare Architecture
JCS	Joint Chiefs of Staff
JPD	Joint Planning Document
JROC	Joint Requirements Oversight Council
JSPS	Joint Strategic Planning System
JWCA	Joint Warfighting Capability Assessment
LRPO	Long Range Planning Objectives
LRRDAP	Long Range Research, Development and Acquisition Plan
MACOM	Major Commands
MBI	Major Budget Issues
MCMP	Marine Corps Master Plan
MDEP	Management Decision Package
MFP	Major Force Programs
MoND	(Polish) Ministry of National Defense
N80	Navy's Programming Division
N81	Navy's Assessment Division
N82	Navy's Fiscal Division
NAVCOMPT	Navy's Office of Budget/Fiscal Management Division
NMS	National Military Strategy
NSC	National Security Council
NSS	National Security Strategy
OBR	Operational Budget Review
OMB	Office of Management and Budget
OSD (PA&E)	Director, Program Analysis & Evaluation
OSD	Office of the Secretary of Defense
PB	President's Budget
PBD	Program Budget Decisions
PDASD (C3I)	Principal Deputy Assistant Secretary of Defense, Command, Control, Communications & Intelligence
PDM	Program Decision Memorandum
PDUSD (A&T)	Principal Under Secretary of Defense, Acquisition & Technology
PDUSD (C)	Principal Deputy Under Secretary of Defense, Comptroller
PE	Program Elements
PEG	Program Evaluation Group
PEM	Program Elements Monitor
PMND	Polish Ministry of National Defense
POM	Program Objective Memorandum
PPBC	Planning, Programming and Budget Committee
PPBS	Planning, Programming and Budgeting System
PPI	Program Objective Memorandum (POM) Preparation Instructions
PR	Program Review
PRG	Program Review Group
PRP	Program Review Phase

RS	Resource Sponsors
SAF/FMB	Air Force Deputy Assistant Secretary for Budget
SECAF	Secretary of Air Force
SECDEF	Secretary of Defense
SPP	Sponsor Program Proposals
SRG	Senior Review Group
SWOT	Strengths, Weaknesses, Opportunities, Threats
TAA	Total Army Analysis
TAP	The Army Plan
TOA	Total Obligational Authority
T-POM	Tentative POM
USD (A&T)	Under Secretary of Defense for Acquisition & Technology
USD (C)	Under Secretary of Defense, Comptroller
USD (P&R)	Under Secretary of Defense for Personnel and Readiness
USD (P)	Under Secretary of Defense for Policy

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## **I. INTRODUCTION**

### **A. PURPOSE**

This thesis analyzes the possible problems and benefits that the Polish Government and the Polish Ministry of National Defense (PMND) might experience if these institutions implemented a system like the US Planning, Programming, and Budgeting System (PPBS) in the Polish Armed Forces.

### **B. BACKGROUND**

The political changes that took place in Poland in 1989 caused tremendous shifts in the scope of public spending. One of these shifts was the change in national defense spending. There were huge reductions followed by slight increases in defense funding during the last decade. [Ref. 15] These increases, however, did not help the Polish Armed Forces modernize. There were several very ambitious modernization plans such as Program Armed Forces 2012 [Ref. 9] and the present plan of modernizing the Armed Forces before 2006. [Ref. 10] However, these plans were based upon savings, which the Armed Forces had to achieve before the changes could be implemented.

Program Armed Forces 2012 was created by the Chamber of Ministers under Prime Minister Cimoszewicz in 1997. It was then introduced into law after a few changes in 1998 by Prime Minister Buzek. This program assumed the Polish Armed Forces would be composed of between ninety-five thousand to one hundred and seven thousand soldiers. The final number would depend on the decision of the Minister of National Defense. The plan assumed other structural

modernizations of the Polish Armed Forces and enhancement of forces selected to be the first to join NATO.

Program Armed Forces 2012 was rejected two years after its implementation owing to insufficient funds to conduct the changes. In addition, there were many questions and doubts about the way the plan was initially prepared and about its congruence with NATO's goals that had been submitted to Poland as prerequisites for its joining NATO.

The current modernization program for the Polish Armed Forces will require six years. During that period, PMND intends to make one third of the Polish Armed Forces equal in quality to the average army of the NATO members. In addition, there will be some changes in the personnel profile of the army. However, this modernization program, like the previous one, is based on funds from savings made within PMND. This funding will likely originate from closing of garrisons and the dismantling of various units. This program did result in at least one definite benefit by setting a fixed percentage of GDP for defense spending (1.95 percent of GDP).

The current budgetary system in Poland lacks multiyear budgeting. Although planning is made for the long term, specific amounts of money are not allocated for programs past the budget year. For example, Program Armed Forces 2012 was a long-term plan, spanning fifteen years (1997-2012) yet, budgeting for the Program Armed Forces 2012 was based on savings to be achieved within the Polish Ministry of National Defense. Some estimates about possible savings were made, but the magnitude of the tasks facing the Ministry outweighed their means of executing them.

The Polish Ministry of National Defense will consider adopting a system similar to the American PPBS (Planning, Programming and Budgeting System) as a proposed solution. A

complex system composed of three phases, PPBS establishes a framework for making decisions on future programs.

## C. SCOPE AND METHODOLOGY

The scope of this thesis will include: (1) a review of the PPBS, (2) a description of the budgetary system currently used in Poland, and (3) an in-depth examination of the problems and prospects for changing existing organizations and processes in Poland to implement a PPBS-like system.

The methodology used in this thesis consists of the following steps.

1. A literature search of books, journal articles, and other publications about the PPBS and the Polish budgetary system.
2. Identification of significant problems anticipated in adopting the PPBS in Poland.
3. Identification of potential avenues for changing PMND and other Polish governmental organizations and processes.
4. Presentation of recommendations associated with shifting defense budgeting in Poland toward a PPBS-like system, and possible approaches and advantages for implementing a PPBS-like system.

## D. ORGANIZATION OF STUDY

The thesis has the following format. The first chapter briefly explains why the thesis is being written. The first section of the chapter describes the reasons why the Polish Government and Polish Ministry of National Defense should implement a PPBS-like system to replace the existing system. The chapter also explains how the problem will be examined.

Chapter II describes the PPBS. The first section traces the brief history of the PPBS and its goals. The second section describes the major components of the PPBS, namely, the Defense

Resources Board (DRB), the Program Review Group (PRG), and the Future Years Defense Program (FYDP). Each of these components is briefly described with particular attention paid to the tasks assigned and membership of each advisory group. The Future Years Defense Plan is described in more detail. The description outlines the structure of the FYDP and Major Force Programs (MFP).

Section C of Chapter II provides a detailed description of the PPBS system by dividing the system into particular phases. A short description of the activities in each phase is followed by a description of the main actors at the national level. The products issued during each phase are also described.

Section D briefly analyses the differences among the branches of the U.S. military forces in their use of the PPBS. The last part of this chapter provides conclusions.

Chapter III describes the budgetary system of the Polish Armed Forces. This chapter begins with a section describing the legal basis of the Polish budgetary system. Then the budgetary procedures employed at different levels of budget formulation are examined. The initial level of the budgetary process describes how the Polish Ministry of National Defense develops its budget proposal. The next level describes how the Government of Poland develops both the state and the defense budgets. The last level describes Parliamentary procedures for establishing the state budget. A subsection describing the execution of the defense budget closes section B.

Control over the execution of the budget is the subject of Section C. This section includes the control by both governmental agencies and by the Polish Ministry of National Defense.

Chapter IV is devoted to analyzing the problems that might be incurred and the benefits that could be realized if the Government of Poland and the Polish Ministry of National Defense

(PMND) decided to implement a PPBS-like system within the PMND. The first subsection of Chapter IV presents possible problems related to differences in laws in the U.S. and in Poland. Other problems involve the different scope of national interest between Poland and the U.S. These differences are reflected by different structures of the military forces. Finally, there are additional problems associated with the vast differences in the structures of the militaries themselves. The next subsection presents some advantages that would be generated if Poland implemented a PPBS-like system. This subsection concentrates on two dimensions: economic advantages and military advantages.

The last chapter presents the author's conclusions and recommendations. This chapter also proposes further areas of studies that might provide interesting topics for future theses.

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## II. THE PPBS SYSTEM

### A. INTRODUCTION

The ultimate objective of the DoD PPBS is to provide the best mix of forces, equipment, and support attainable within fiscal constraints.

DoD directive 7045.17

The purpose of the Planning, Programming, and Budgeting System (PPBS) is to allocate resources within the Department of Defense. This is the DoD's primary resource management system. The PPBS was first introduced into the Department of Defense in the early 1960's during Mr. McNamara's tenure as Secretary of Defense (SECDEF). The PPBS is a cyclical process including three distinct but interrelated phases: planning, programming, and budgeting. Figure II-1 presents the general idea of the PPBS.

The planning phase establishes potential threats for programs to counter and defines national defense policies, objectives, strategy, and guidance for the upcoming programming phase regarding resources and force requirements to meet the stated threats and objectives. [Ref. 5] The programming phase translates planning decisions, Office of the Secretary of Defense (OSD) programming guidance, and Congressional guidance into detailed allocation of time-phased resource requirements including forces, personnel, and funds. Allocations are based on a six-year period. The budgeting phase focuses on the first two years of the six-year program, rearranges the programs under congressional appropriation groupings, and results in a two-year budget to Congress for approval.<sup>1</sup>

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<sup>1</sup> Department of the Army, *Action Officers' Force Management Handbook*, August 1999.  
[www.afms1.belvoir.army.mil](http://www.afms1.belvoir.army.mil).

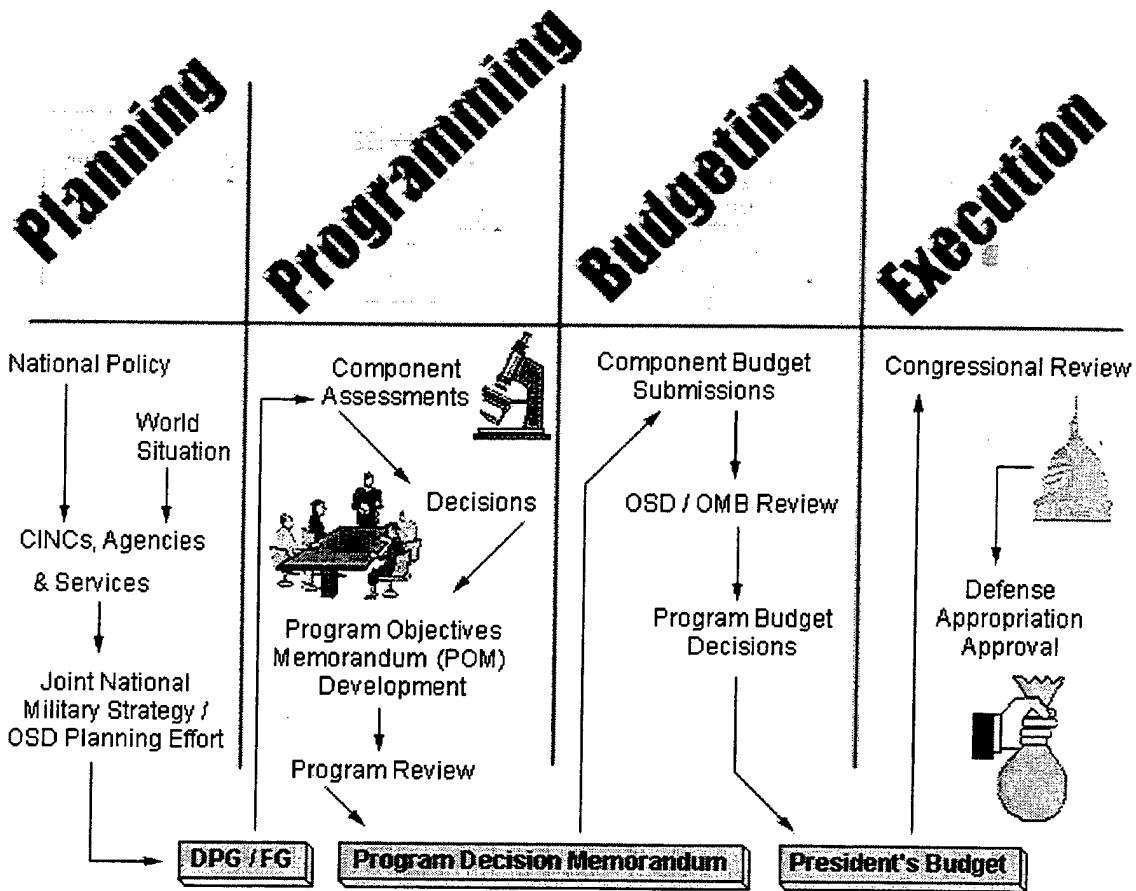


Figure II-1 Scheme of the PPBS<sup>2</sup>

Further sections present a detailed description of each phase.

It is important to remember that although the PPBS process has three distinct phases, each phase overlaps the other phases. The first phase, planning and assessing, does not stop when it is done. On the contrary, it is continuous. Moreover, all participants in the PPBS must be aware of issues in their respective phase as well as in the other phases. Decisions made within one process affect the others. Therefore, all decision-makers should always be one step ahead to ensure that programs developed and funded are well balanced and executable. [Ref. 8]

<sup>2</sup> [http://www.acq.osd.mil/log/rm/ppbs/acronyms/ppb\\_dur/ppb\\_dur.html](http://www.acq.osd.mil/log/rm/ppbs/acronyms/ppb_dur/ppb_dur.html).

The following sections of this chapter describe the major participants in the PPBS process (Section B) as well as the time-frame of the PPBS (Section C), detailing the activities occurring within each phase.

## **B. PPBS PARTICIPANTS**

### **1. Office of the Secretary of Defense (OSD)**

The Secretary of Defense (SECDEF) is responsible for the centralized control of executive policy through the three phases of the PPBS. To achieve this, the Secretary must make the major policy decisions, define planning goals, and allocate resources to support these objectives. These objectives include a combinations of goals, i.e. joint, DoD-wide, cross-DoD Component, and cross-command programs. The Defense Resources Board (DRB) supports the Secretary's efforts. [Ref 7]

### **2. The Defense Resources Board (DRB)**

The Defense Resource Board assists the SECDEF in making major planning and programming decisions. This board participates in formulating and developing the SECDEF Defense Planning Guidance (DPG) and reviewing the Service Program Objective Memoranda (POMs).

The following lists the members of the DRB:

- **Chairman**—DEPSECDEF;
- **Vice Chairman**—Chairman Joint Chiefs of Staff (CJCS);
- **Executive Secretary**—Director, Program Analysis & Evaluation—OSD (PA&E);
- **Members**—Service Secretaries;
  - Vice Chairman Joint Chiefs of Staff;
  - Under Secretary of Defense for Acquisition, Technology and Logistics-USD (AT&L);

- Under Secretary of Defense for Policy–USD (P);
- Under Secretary of Defense, Comptroller–USD (C);
- Under Secretary of Defense for Personnel and Readiness–USD (P&R).

The functions of the DRB include the following:

- Considers broad policy and guides high priority objectives;
- Reviews guidance for planning and programming;
- Examines high priority programs;
- Considers the effect of resource decisions on baseline cost, schedule, and performance of major acquisition programs and aligns the programs with the PPBS;
- Helps tie the allocation of resources for specific programs and forces to national policies;
- Reviews the program and budget;
- Reviews the execution of selected programs;
- Advises the SECDEF on policy, PPBS issues, and proposed decisions. [Ref. 11]

### **3. Program Review Group**

The Program Review Group has a highly important role during the programming phase of the PPBS. It develops and screens major issues before their presentation to the Defense Resources Board. [Ref. 4]

The membership of the Program Review Group includes:

- **Chairman**—Director, Program Analysis and Evaluation–OSD (D, PA&E);
- **Members**: -Principal Deputy Under Secretary of Defense, Comptroller–PDUSD (C);
  - Principal Under Secretary of Defense, Acquisition, Technology and Logistics–PDUSD (AT&L);
  - Principal Deputy Assistant Secretary of Defense, Command, Control, Communications & Intelligence–PDASD (C3I);
  - Assistant Secretary of Defense, Force Management Policy–ASD (FM&P);
  - Assistant Secretary of Defense Health Affairs–ASD (H);

- Assistant Secretary of Defense, Reserve Affairs–ASD (R);
- Army Assistant Vice Chief of Staff;
- Navy Deputy Chief of Naval Operations (Resource, Warfare Requirements and Assessments)–N8;
- Air Force Deputy Chief of Staff (Plans & Programs);
- Marine Corps Deputy Chief of Staff (Programs & Resources);
- Joint Chiefs of Staff (Force Structure, Resources and Assessment)–J8.<sup>3</sup>

The Chairman has the right to invite others to participate when necessary. [Ref. 11]

## C. FUTURE YEARS DEFENSE PROGRAM

A core element of the PPBS since its inception in the early 60's has been the concept of the Future Years Defense Program (FYDP). It is the most vital document in the PPBS. The FDYP is a database summarizing, over an eleven-year period, all resources associated with programs approved by the SECDEF for DoD. The FYDP allows the DoD to make a multi-year focus on resource allocation. Moreover, FYDP enables the creation of the President's Budget (PB) request to Congress. Congress also uses the FYDP. The FYDP is structured in different ways to reflect the needs of various end users. For Congress, the DoD's FYDP represents the allocation of money in terms of appropriations. In contrast, the DoD perceives the FYDP in terms of Major Force Programs (MFP). The DoD's FYDP is usually locked and published three times a year (six times during a two-year PPBS cycle). The following lists the periods when the FDYP is locked and published:

- In May, to reflect the Service Program Objective Memorandum (POM) (even years) or Program Review (PR) (odd years) submission to the OSD;
- In September, to reflect the Service Budget Estimate Submission (BES) to the OSD;

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<sup>3</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

- In February, to reflect the OSD's PB submission to Congress.

Even though the OSD maintains the "official" DoD FYDP database, each service maintains its own separate FYDP database. Adding to the confusion, one can find different FDYP databases maintained by different divisions. For example, the Navy's Programming Division (N80) and the Navy's Office of Budget/Fiscal Management Division (FMB) (often referred to as NAVCOMPT), maintain their own separate FYDP databases, N80's for the Programming Phase and FMB's for Budgeting.

### **1. The FYDP Structure**

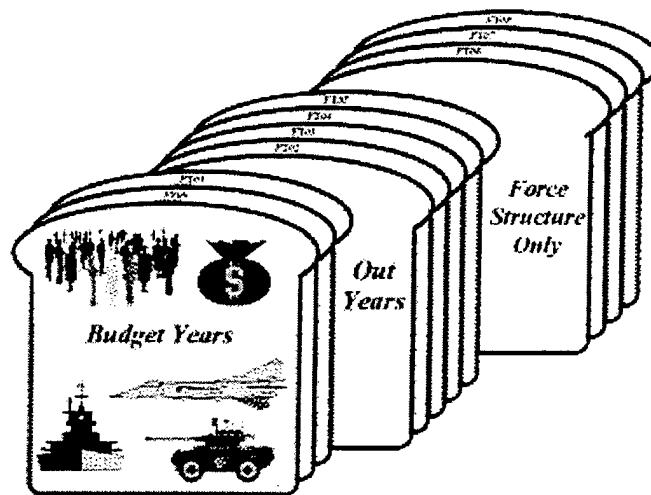
The PPBS cycle projects funding for a six-year period. The FYDP is not a static database. By design and necessity, the FYDP is constantly changing to reflect new information. Because the PPBS is theoretically a two-year cycle, the OSD and each service department publishes its own FYDP six times every two years. In this theoretical two-year cycle, some elements of the PPBS, for example, the Program Objective Memorandum (POM), are prepared in even years while the Budget Estimate Submission (BES) and the President's Budget (PB) are prepared annually.<sup>4</sup>

The odd years present a different situation. In these years, programming is not accomplished, and the POM is not prepared. Documents prepared and updated are the BES and PB. The real world changes that affect the cost of approved programs are considered during the updating process. To reflect real world changes, the Program Review (PR) is conducted. The PR is prepared in the same manner as the Program Objective Memorandum (POM). The only difference is that the POM covers six years whereas the PR covers only five years.

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<sup>4</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

A typical FYDP structure consists of eleven years. They are one-year prior, the current year, two budget years (called Biennial Budget Years), and the following four years (called Future Years or Out Years). The last three years present only a summary of force structure (no funds but end strength) and major force elements. Figure II-2 presents the structure of the FYDP.

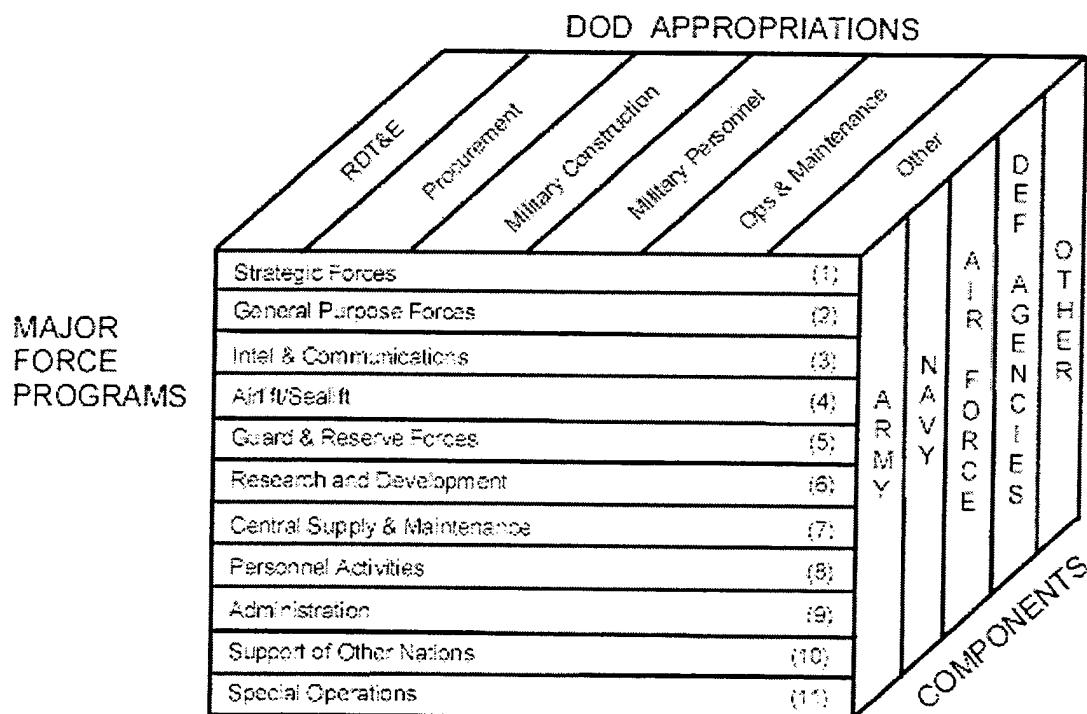


**Figure II-2 Structure of the FYDP<sup>5</sup>**

The FYDP is organized in three main dimensions. The first dimension reflects the DoD interest represented by eleven Major Force Programs (MFPs). The second dimension reflects the Congress' interest in defense matters. All resources are allocated according to the authorization and appropriation processes of enacting budget authority. The third dimension represents resource allocation by DoD components. The FYDP follows the rules of comprehensiveness and exclusiveness. This means that no single dollar can be in more than one MFP (exclusive), and every dollar in the DoD is in the MFP (comprehensive). Figure II-3 represents the three-dimensional structure of the FYDP.

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<sup>5</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.



**Figure II-3 Three-Dimensional Structure of the FYDP<sup>6</sup>**

## 2. Major Force Programs

Major Force Programs are proposed sets of resources (people, money, forces from different DoD components). They exist to accomplish mission objectives established in the planning phase and reflected in the programming phase by particular programs. These programs reflect fiscal time phasing of mission objectives.

There are eleven MFPs, as follows:

- Strategic Forces
- General Purpose Forces
- C3I and Space
- Airlift and Reserve Forces
- Guard and Reserve Forces
- Research and Development
- Central Supply and Maintenance

<sup>6</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

- Training, Medical, and Other General Personnel Activities
- Administration and Associated Activities
- Support of Other Nations
- Special Operations Forces

These MFPs are also divided into subcategories, more detailed aggregations called Program Elements (PE). PEs are the primary data elements in the FYDP. PEs must be able to change in order to reflect any alterations that happen during the PPBS. Some estimates indicate that there are about five thousand PE's in day-to-day use. Another thousand are carried in the FYDP database, but are "inactive." [Ref. 16] The further division of MFPs is beyond the scope of this thesis and will not be presented here.

#### D. THE PPBS SYSTEM

The PPBS is perceived as the heart of the defense resource-allocation process. It establishes the framework and provides the mechanisms for decision making for the future. The PPBS also provides the chance to re-examine prior decisions in light of the present environment. It is a cyclic and iterative process consisting of three distinct but interrelated and overlapping phases: Planning, Programming, and Budgeting. Each of these phases contributes to the overall outcome of the PPBS process. Three phases and major elements of each phase are presented in Figure II-4.

The following subsections will describe each phase of the PPBS and its main players and products. First, the planning phase will be described, followed by the programming phase. The budgeting phase will be the last element in this section. Conclusions will close this chapter.

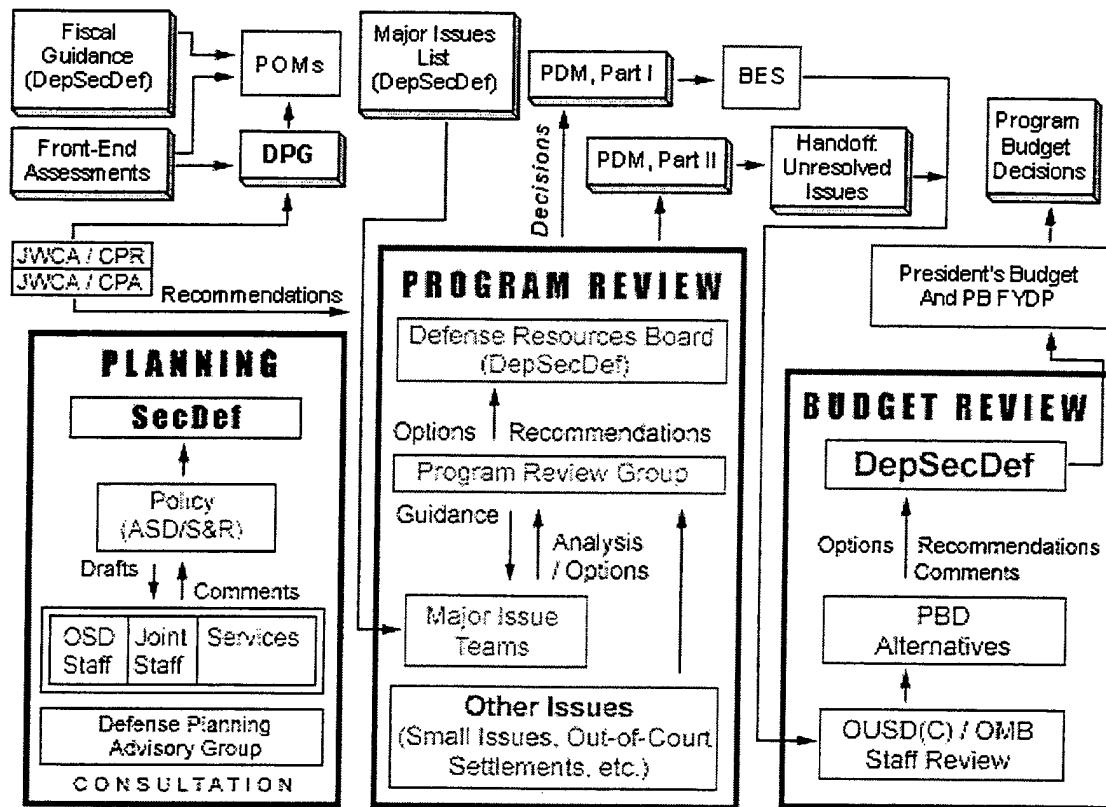


Figure II-4 PPBS Process with Main Items<sup>7</sup>

### 1. Planning Phase

The planning phase of the PPBS translates top-down guidance into meaningful plans and requirements for which a program for the FYDP can be developed. It defines and examines alternative strategies and analyzes external conditions and trends. One can distinguish two levels of planning: national level planning and services' level of planning. This sub-subsection will describe only national level planning, including the players and products of this phase.

The national level planning involves groups and players beyond the particular service. These groups include the OSD, the Joint Chiefs of Staff (JCS), the Unified Commanders-in-Chief (CINCs), and non-DoD organizations such as the Department of State, the Central Intelli-

<sup>7</sup> <http://www.acq.osd.mil/log/rm/ppbs/ppbs.html>.

gence Agency (CIA), the National Security Council (NSC), etc. Figure II-5 presents the timeline and major players of the Planning Phase.

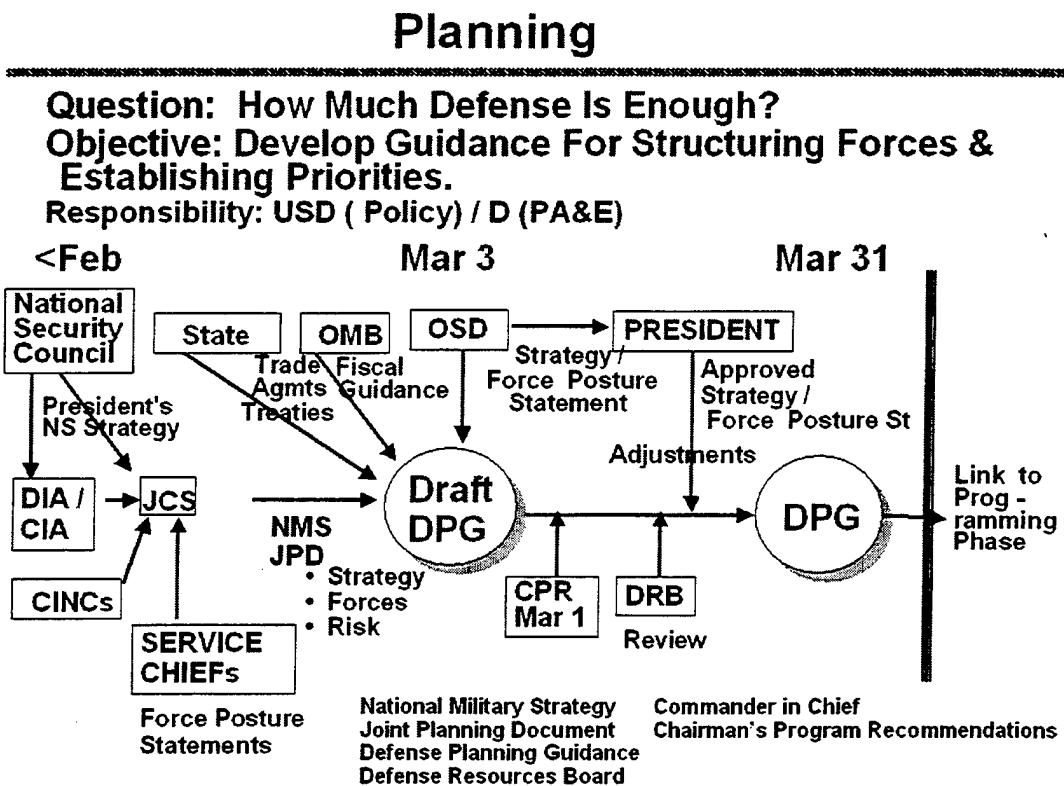


Figure II-5 The Timeline and Main Players of the Planning Phase<sup>8</sup>

a) *National Level Planning—Main Actors*

(1) National Security Council (NSC)—The National Security Council is the highest body in the strategic planning hierarchy. Its task is to prepare the National Security Strategy (NSS), which, with presidential approval, establishes a national security policy. The President of the United States is obliged to submit the NSS together with the PB to the Congress. The NSS along with other policy decisions provides the DoD with the basis for the planning and programming processes.

<sup>8</sup> Picture taken from the presentation by Professor Robert J. Bohls Sr. titled “*Planning, Programming and Budgeting System*,” Defense Systems Management College, Ford Belvoir, Virginia, 1998.

(2) Secretary of Defense (SECDEF)—Although the SECDEF plays an important role in the whole PPBS process, the role of the SECDEF is described in subsection B.

(3) Policy Secretariat (Under Secretary of Defense (USD) for Policy)—The USD (Policy) is the principal OSD staff assistant for formulating national security and defense policy and for integrating and overseeing DoD policy and plans to achieve national security objectives. The USD (Policy) is the primary advisor to the SECDEF for the planning phase of the PPBS and, together with the Director of Program Analysis and Evaluation (PA&E), drafts the Defense Planning Guidance (DPG).<sup>9</sup>

(4) Defense Resource Board (DRB)—The role and tasks as well as the composition of Defense Resource Board were presented earlier in this chapter.

(5) Defense Planning Advisory Group (DPAG)—The DPAG has a significant role in the planning phase of the PPBS by supporting the development of the Defense Planning Guidance (DPG). The group is co-chaired by the Assistant Secretary of Defense for Strategy and Threat Reduction and the Director of PA&E. The members of this group include senior planners and resource managers from OSD, the Services, and the Joint Staff.

(6) Combatant Commanders (Unified CINCs)—The CINCs are the war-fighters who execute the military strategy. That fact makes them very important as the inputs for the Joint Strategic Planning System (JSPS) and PPBS. The CINCs, together with the Services, fully participate as active members in creating the JSPS documents such as the National Military Strategy (NMS), the Joint Planning Document (JPД), and the Chairman's Program Recommendations (CPR). The CINCs annually submit their Integrated Priority Lists (IPLs). IPLs, along with other products of the planning phase of the PPBS, will be described in a further section.

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<sup>9</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

Submitted by the CINCs, IPLs affect the development of the JSPS documents significantly. In turn, these products of the JSPS support the Chairman's programmatic and budgetary advice to the SECDEF. They also influence the Service Program Objective Memorandums (POMs). The main purpose of submitting IPLs is to articulate detailed funding requirements of component CINCs to their respective services. The CINCs also provide a great deal of input to the assessment phase of JSPS through participation in the Joint Warfighting Capability Assessment (JWCA) process. As they can articulate their demands to the respective services, the CINCs can also review the Services' POMs to ensure they address their requirements. The CINCs can also participate in the DRB deliberations and submit their issues to the DRB.

(7) Joint Chiefs of Staffs (JCS)—The primary contributor to DoD planning is the JCS, who accomplishes this contribution through the Joint Strategic Planning System (JSPS). The JSPS is the formal manner through which the Chairman of the Joint Chiefs of Staff (CJCS), after consultations with the other members of the JCS and the CINCs, discharges his responsibility. The major part of the JSPS is the Joint Warfighting Capability Assessment (JWCA). The JWCA provides a systematic view of future joint fighting capabilities. Assessments of these capabilities, sponsored by Joint Staff Directorates, are conducted by teams of warfighting and functional area experts from many functional levels of the DoD and other governmental agencies involved in the Planning phase. Assessments inquire into key relationships between joint warfighting capabilities and define opportunities for improving warfighting effectiveness. Results are presented to the CJCS, the Joint Requirements Oversight Council (JROC), and the Unified CINCs. The final assessment results are exploited to influence programming and budget guidance and to prepare joint requirement resource recommendations.

The JWCA is an annual, cyclical process providing key assessments to the CJCS to prepare the Chairman's Program Recommendations (CPR), the Joint Planning Document (JPД), and the Chairman's Program Assessment (CPA). These three documents support the SECDEF's development of Defense Planning Guidance (DPG). A detailed description of the JWCA process will not be provided here because it is outside the scope of this thesis.

(8) Military Departments (Services)—Military Departments affect the planning phase of the PPBS by participating in the Joint Strategic Planning System (JSPS). They also contribute to the planning phase of the PPBS by contributing to the drafting of the Defense Planning Guidance (DPG). Being full participants in the JSPS allows the services to present their perspectives during the formulation of each of the JSPS documents. Simultaneously, the JSPS obtains the ongoing analyses conducted by the Services in the form of wargames, experiments, and other such studies. The Services are also part of the JWCA process, providing further input to the final assessment efforts of the JSPS that shape the strategic direction, plans, and program recommendations.

(9) Agencies of the Department of Defense—The DoD agencies, much like the CINCs and Services, collaborate with others in the process of the JSPS, providing significant input, which is helpful in formulating the JSPS documents. The DoD agencies provide representatives to the various JWCA teams as required.

**b)      *National Level Planning - Products***

(1) National Security Strategy (NSS)—The President of the United States is legally obliged to put forth to the Congress an annual report on the National Security Strategy (NSS) along with the President's Budget. The National Security Council generates and presents the NSS for the President to sign.

The NSS formulates the nation's main strategy and addresses all elements of national power used to accomplish the national goals. This formal document provides general guidance both for developing the defense strategy that the Chairman of the Joint Chiefs of Staff (CJCS) produces in the National Military Strategy (NMS) and to SECDEF for developing the Defense Planning Guidance (DPG). The NSS is not a document addressing national security in terms of the DoD or military alone. The portion of the NSS addressing military matters is written at an extreme macro level.<sup>10</sup>

(2) National Military Strategy (NMS)—The CJCS submits the National Military Strategy (NMS). This document has various uses. It provides the President, the National Security Council (NSC) and the SECDEF with the Chairman's recommendations about the military strategy and force structure required to reach national security goals and objectives. The NMS helps the SECDEF prepare the Defense Planning Guidance (DPG). It also provides the Services with supporting documents to be considered while the Program Objective Memoranda (POM) are developed. The format and intent of the NMS depend on the changes in the NSS and in the strategic environment that dictates the needs of the national strategy. Like the NSS, the NMS is written at an extremely macro level.

(3) Joint Planning Document (JPД)—The Joint Planning Document provides concise programming priorities, advice, and requirements to the Secretary of Defense for consideration while preparing the Defense Planning Guidance. The JPD is a complex document with a series of chapters concerning specific functional areas. Each Joint-Staff Director sponsor of a Joint Warfighting Capability Assessment prepares a chapter of the JPD responding to his

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<sup>10</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

area of responsibility. In doing this, each Director is supported by the Services, the CINCs, and the appropriate Defense agencies. The JPD includes the following chapters:

- **Chapter 1 – Intelligence:** provides the information about the Chairman’s view on intelligence planning policy and priorities;
- **Chapter 2 – Weapons of Mass Destruction:** provides information about the nuclear capabilities needs of the Combatant Commanders to meet the objectives of the NMS in the broad sense.
- **Chapter 3 – Command, Control, Communication and Computer (C4) Systems:** identifies the essential capabilities of C4 systems to support objectives and goals of the NMS. It covers the period of the FYDP.
- **Chapter 4 – Future Capabilities:** deals with broad issues concerning the use of advanced technology by the military. This chapter provides the strategic direction for major research and development efforts during the FYDP. It also identifies potential vulnerabilities associated with the use of any advanced technology.
- **Chapter 5 – Manpower and Personnel:** assesses current capabilities common to all Services to support current and programmed force levels and demands of the combatant commanders. This chapter covers both military and civilian personnel needs. It also includes the necessary planning guidance to meet requirements through the entire planning period.
- **Chapter 6 – Strategic Mobility and Sustainment:** identifies logistics capabilities to support the objectives of the NMS. It also outlines requirements and vulnerabilities, including those identified by the combatant commands and Services. This chapter sets the priorities or the programs supporting current and projected requirements through the period of the FYDP. Guidance is integrated with programmatic priorities to ensure operational requirements are met by the end of the planning period.
- **Chapter 7 – Theater Engagement and Presence Posture:** presents the Chairman’s theater priorities and recommends planning and programming guidance on theater engagements outlined in the NMS. It is based mainly on the input from combatant commands.

- **Chapter 8 – Readiness:** points out exact directions for planning and programming to address the resource requirements to support specific readiness issues affecting the combatant commands and Services.<sup>11</sup>

(4) Defense Planning Guidance (DPG)—The Defense Planning Guidance (DPG) is the leading DoD planning document. It mirrors the President's prioritized National Security Objectives from the National Security Strategy. The DPG provides the Services with the established policies that guide the Services through planning for peacetime, crises, and wartime strategies. The DPG decrees the criteria and assumptions for structuring forces and constitutes the priorities for dedicating resources for structuring forces and readiness, and sustainability initiatives. The DPG is perceived as the major link between planning in the Joint Strategic Planning System (JSPS) and programming in the PPBS. It provides the military departments with the guidance and directions from the SECDEF for developing their Program Objective Memoranda (POM) for the defense planning period. The Defense Planning Guidance includes major planning issues and decisions, strategy and policy, strategic elements, the SECDEF's program planning objectives and other elements. It is used as a criterion for making programming and budgeting decisions. All Services develop their own program proposals in accordance with the DPG. The OSD and Joint Staff use the DPG as a baseline for the Program Review.

The Under Secretary of Defense for Policy (USD (P)) and the Director Program Evaluation and Analysis are the two main OSD officials who are most involved in creating the Defense Planning Guidance. While drafting the DPG, they consider the previous year's DPG, Program Decision Memoranda (PDMs), and the budget, along with the National Military Strategy. The Defense Planning Advisory Group controls the whole process of drafting the DPG until the final version is reached. Developing the DPG depends on a dialogue between various

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<sup>11</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

groups within the DoD, not to mention the Joint Staff, the Combatant Commanders, and the Services.<sup>12</sup>

The ongoing revision of the drafted DPG occurs when particular chapters of the DPG are issued. The Services and other agencies and groups from the DoD are asked to review and comment on them. Drafts of particular chapters of the DPG are used by the Services to help develop their programs. The final draft of the DPG is sent to the Services and other DoD components in early March for coordination. The directions that the DPG provides to the Services are generally at a macro level. This is because the SECDEF places the primary responsibility for program development and execution directly within the Services. The final version of the Defense Planning Guidance is issued about late March or April.

(5) Integrated Priority Lists (IPL)—The Integrated Priority Lists are the documents by which the CINCs articulate their operational requirements, shortfalls, and specific concerns. The IPLs are required to be submitted to the SECDEF annually. Other copies are sent to the Chairman of the Joint Chiefs of Staff and the Services. The IPLs affect the formulation of the SECDEF's Joint Planning Document (JPD) and the Defense Planning Guidance (DPG). The IPLs are also the key input to the Joint Warfighting Capabilities Assessment (JWCA) process. They also influence the formulation of the Chairman's Program Assessment (CPA) and the Chairman's Program Recommendation (CPR). Both of these items (the CPA and CPR) are associated with the JSPS and directly influence PPBS. IPLs are submitted by Unified CINCs at a macro level and do not address actual funding levels for programs. In support of the macro level

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<sup>12</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

of IPLs, each Service prepares issue papers, which provide the programmatic level of detail not present in the IPLs.<sup>13</sup>

(6) Chairman's Program Recommendation (CPR)—The Chairman's Program Recommendation is a document directly articulating the Chairman's personal recommendations to the SECDEF regarding priorities for the Defense Planning Guidance. While the JPD provides early planning and broad programmatic advice, the CPR appears later in the process, providing more detailed programmatic priorities and more specific recommendations on the programs of the greatest concern to the Chairman. The main purpose of the CPR is to promote joint doctrine and training and to improve the joint warfighting capabilities. The input data is taken from the JWCA and the CINCs after a thorough discussion with the Joint Requirements Oversight Council. The SECDEF can use all, part, or none of the CPR in the DPG. The CPR is usually published in February or March, just before the DPG.

## 2. Programming Phase

The publication of the Defense Planning Guidance and appropriate documents (e.g., Navy's Programming and Fiscal Guidance) indicate the end of the planning phase of the PPBS and begin the programming phase. The focus of the programming phase is developing the services' Program Objective Memoranda (POMs) and integrating these POMs into defense programs that support the requirements of the CINCs. Figure II-6 presents the timeline and major players of the Programming Phase.

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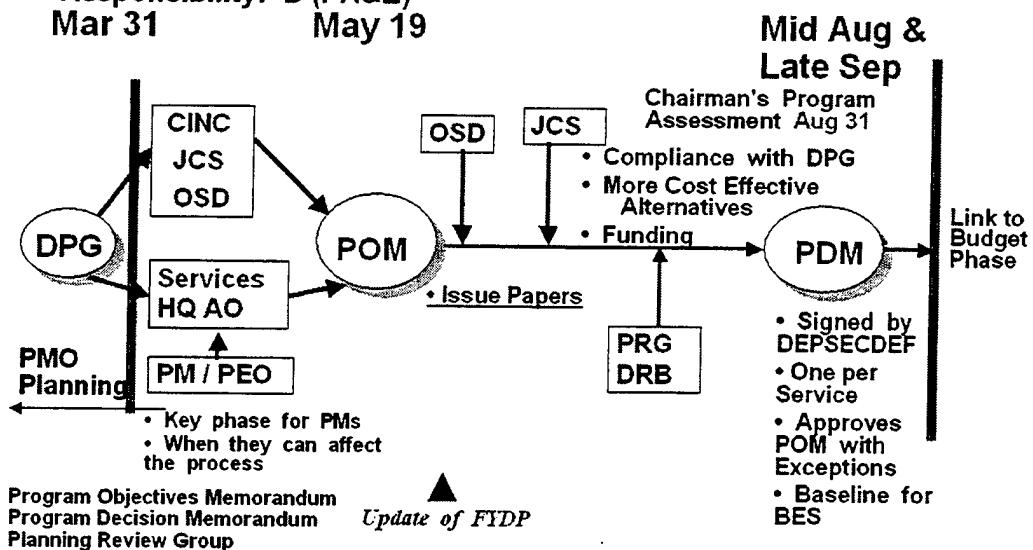
<sup>13</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

## Programming

## **Question: How Much Defense Can We Afford ?**

## **Objective: Allocate Resources to Force Structure**

**Responsibility: D (PA&E)**



**Figure II-6 The Timeline and Main Players of the Programming Phase<sup>14</sup>**

The individual who leads the programming phase is the Director, Program Analysis and Evaluation (D, PA&E) from the Office of the Secretary of Defense. The main portion of the programming effort happens at the Service level. Each Service is obliged by law to develop its POM separately. In contrast, the OSD and JCS do not develop a POM. Their main contribution occurs during their respective and separate reviews of the Service POMs. This takes place after the POMs are submitted. The process of revision is called either the “Program Review” or the “Summer Review.”

**a) National Level-Main Players**

Some of the players involved in this phase were introduced in the section on the Office of the Secretary of Defense (OSD) or in the subsection devoted to the planning phase of

<sup>14</sup> Picture taken from the presentation by Professor Robert J. Bohls Sr. titled “*Planning, Programming and Budgeting System*,” Defense Systems Management College, Fort Belvoir, Virginia, 1998.

the PPBS. The players who were not presented earlier and who have significant influence over the outcome of the programming phase of the PPBS will now be presented.

(1) Director, Program Analysis and Evaluation (OSD (D, PA&E))—The Director of PA&E is subordinate to the USD (Comptroller). His main task is to prepare the programming guidance portion of the DPG and to formulate the Fiscal Guidance to the Services. The Director of PA&E and his staff play the leading role for the OSD during the programming phase of the PPBS. They also help manage the Summer Program Review Process. The Director of PA&E develops the Program Decision Memoranda (PDMs). Additionally, the PA&E is responsible for managing the FYDP.

*b) National Level Programming Products*

The most important and final product of the programming phase of the PPBS is the PDM, which will be presented below. Another crucial output of the programming phase, the Chairman's Program Assessment (CPA), is also presented below. Products associated directly with the Program Review Phase (PRP) are presented in the subsection of this chapter devoted to the PRP.

(1) Chairman's Program Assessment (CPA)—The product of the Joint Strategic Planning System (JSPS) during the planning phase of the PPBS is the Chairman's Program Recommendation (CPR). It utilizes information gathered during the ongoing Joint Warfighting Capabilities Assessment (JWCA) process. Moreover, the CINCs participate actively in preparation of this document. It articulates the Chairman's personal and specific recommendations directly to the SECDEF regarding priorities for the DPG.

The CPA is also the product of the JSPS. However, the CPA is not issued until after the Services' POMs are submitted or the Program Reviews (PRs) are conducted during the programming phase of the PPBS. The CPA provides the SECDEF with the advice, analysis, and recommendations from the CPR and documents the Chairman's personal assessment of the adequacy, balance, and conformance to the DPG of the Service POMs.<sup>15</sup> The CPA is designed to help the SECDEF with the PDM. It also provides the CINCs with the means to submit alternatives to the Services' program recommendations during the OSD Program Review Phase/Summer Review. These recommendations suggest resource reallocation that might improve the allocation's conformance to the established priorities. This would support the CINCs requirements and overall warfighting capabilities within the POM funding levels.

(2) Program Decision Memorandum (PDM)—PDMs are documents reflecting the final decisions on the composition of forces (all Services and Agencies combined). The PDMs are issued by DEPSECDEF. The PDMs represent the approval of the Service POMs as modified by the Defense Resource Board. Each POM producer receives its PDM. Any decision to change the Service or Agency POM is reflected in the PDMs. There might be various changes from various sources, including the Program Review Group or the Defense Resources Board's deliberations or the recommendations from the CPA.

Usually there are two PDMs. The first Program Decision Memorandum (PDM I) is published in September. This happens before the Services submit their Budget Estimate Submissions (BESs) to the OSD. The PDM-I reflects changes that will result from easily resolved issues. The second PDM (PDM-II) is released in November. It solves the issues that require more debate and analysis. Since PDM II is issued after the submission of the BES to the

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<sup>15</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

OSD, it is usually incorporated into the FYDP as a Program Budget Decision (PBDs). There are no reclamas possible since PDMs are signed decisions.

*c) Program Review Phase*

The primary contributors to the programming phase and resource allocation are the Services. They accomplish this by submitting their respective POMs. The major contribution of the JCS and the OSD occurs during the review and after the submission of the Services' POMs/PRs. The CJCS's contribution is known as the Chairman's Program Assessment. The OSD's staff contribution happens during the Summer/Program Review process. Both the CPA and the Summer/Program Review require a thorough deliberation over the Services' submitted POMs. This usually involves defending the Services' position against any proposed alternatives.<sup>16</sup>

(1) Components of the Summer/Program Review Process—Presented in this subsection are the players involved in the process. Players presented earlier will not be included here.

(2) Summer Program Review Issue Teams—The Issue Teams look at designated issues during the Summer Program Review of the Service POMs/PRs. The Issue Teams are organized by the OSD (D, PA&E), and consist of representatives from the OSD offices, the Joint Staff, and the Services. Their task is to assess the issues, to prepare briefings, and to write Issue Papers, as required, during the Summer Review.<sup>17</sup>

(3) OSD POM/PR Preparation Instructions (PPI)—After the leadership of each Service reviews its appropriate program proposals, the Services POM/PR are submitted to the OSD. The manner in which the POMs should be prepared is specified in the special annual

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<sup>16</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

<sup>17</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

document called, "Program Objective Memorandum (POM) Preparation Instructions (PPI). This document provides the Services with formats for preparing and submitting the POMs/PRs to the OSD.

(4) Summer Review & POM/PR Issue Papers—The OSD's process of review of the Service's POM/PR begins by issuing the Major Issues List. This list addresses certain issues to be reviewed over the summer. The main purpose of these issues is to assess the compliance of the Services' POM/PR with the DPG. An OSD-led team of analysts taken from the Services, the Joint Staff and other DoD agencies involved in the particular issue conducts the assessment. Findings and recommendations from each team are presented to the group of senior resource managers and programmers from the OSD, the Joint Staff, and the Services. This group is called the Program Review Group.

The Summer/Program Review also generates an opportunity for the Services, the Joint Staff, the CINCs and other DoD agencies to present the POM issues which they consider deserving of further deliberation. It may happen that several hundred candidate-issue topics exist. They are divided into either major or minor issues.

Major issues are those affecting broad policy matters, involving more than one Service. They are analyzed thoroughly by the Issue Teams and presented directly to the Program Review Group if it is decided that the PRG should consider them. Minor issues consider programmatic problems handled through POM/PR Issue Papers. The PRG, chaired by the Director, PA&E, analyzes and screens the Issue Papers to determine if they are appropriate for presenting to the Defense Resources Board. The PRG makes decisions on most of the Issue Papers; however, some of them are sent to the DRB for consideration and decision. From the Services' point of view, the Summer/Program Review process is nothing more than a defense of their

POMs against changes proposed by the PRG or the DRB. The Services usually defend their own positions by assessing and analyzing alternatives proposed in Issue Papers. Any errors or omissions of facts may provide counterarguments for the opponents, particularly for the PRG or the DRB.

### **3. Budgeting Phase**

In the budgeting phase, the DoD components shall develop detailed budget estimates for the budget years of programs approved during the programming phase. A joint Office of Management and Budget (OMB)/DoD budget review is conducted; the results are issued in Program Budget Decisions (PBDs).

(DoD directive 7045.17)

With the beginning of the Budgeting phase, both the fiscal and program level detail is converted into its corresponding Appropriation budget format in preparation for the review and approval of the Congress. The main purpose of this phase is to ensure that the Program Objective Memorandum modified by the Program Decision Memorandum is executable.

The analysis takes into consideration the fact-of-life execution issues of the first two years of the six-year POM. When all necessary changes are made, the new executable DoD budget is submitted to the Congress for review and approval.<sup>18</sup> The DoD budget submitted to the Congress is the best option, from the DoD officials' point of view, for providing the U.S. Military Forces with the best mix of forces (people, materials, resources, money) to meet the goals established by both the NSS and the NMS. Figure II-7 presents the timeline of the budgeting phase as well as the main players.

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<sup>18</sup> <http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

# Budgeting

**Question: Are We Executing Efficiently?**

**Objective: Develop a Coherent, Consistent & Balanced Budget**

**Responsibility: USD ( C )**

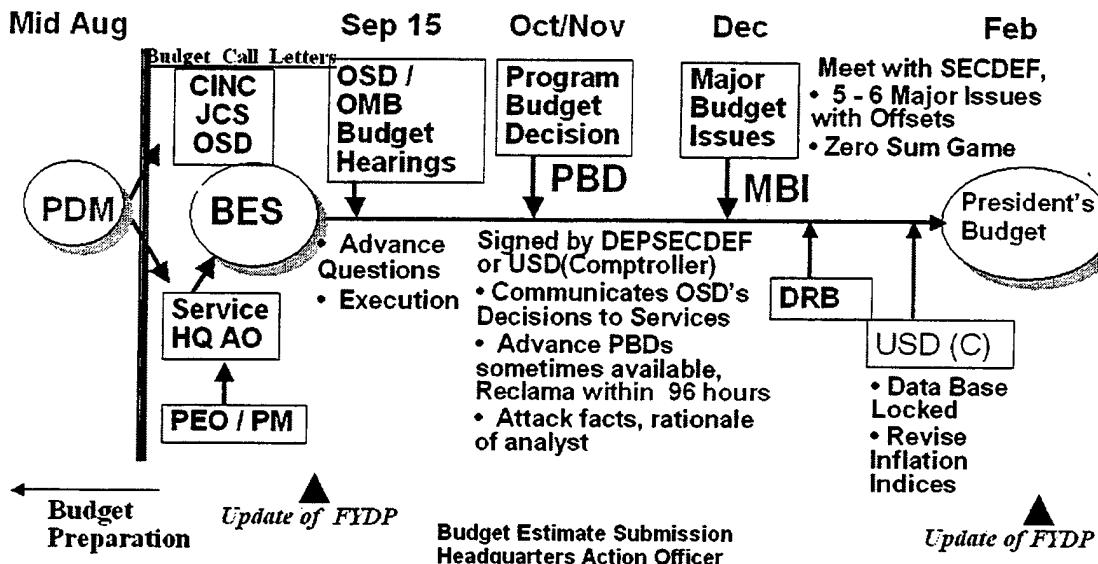


Figure II-7 The Timeline and Main Players of the Budgeting Phase<sup>19</sup>

The difference between the programming and budgeting phase is the accuracy in estimating the money needed to meet the NSS and NMS goals. To make the budget executable, more precise budget estimates are required. These estimates have to use the most accurate and current data available.

## a) National Level Budgeting

When the Services submit their Budget Estimate Submissions (BESs) (mid September), they are reviewed by the OSD and the OMB. Simultaneously with the review, a draft of a Program Budget Decision (PBD) is prepared. These drafts are recommended adjustments to the Services' BESs. Before they are signed, they represent only recommendations and the Services

<sup>19</sup> Picture taken from the presentation by Professor Robert J. Bohls Sr. titled "Planning, Programming and Budgeting System," Defense Systems Management College, Fort Belvoir, Virginia, 1998.

can, through the reclama process (September-October), explain their views on the matters involved. After scrutinizing the responses to unsigned PBDs, the Under Secretary of Defense (Comptroller) submits the final document to the DEPSECDEF for a decision and signature of a final PBD (October-November). The only chance for the Services and the CINCs to change anything proposed in the final PBD is through the outstanding budget issues (December). Some of these issues, called Major Budget Issues (MBI), are solved during the session between the Service Secretary and the SECDEF (mid December). The Chairman Joint Chiefs of Staff also attends this session, presenting the views and concerns of the JCS and the respective CINCs. After the MBIs are resolved, the Services revise their budgets to reflect decisions resulting from the budget review process. The DoD submits its portion of the President's Budget (PB) and updates the FYDP. This ends the PPBS cycle.

**b) National Level Budgeting – Players**

(1) Office of Management and Budget (OMB)—The main purpose of the OMB is to assist the President in organizing and managing the Executive Branch. The OMB works directly for the President and develops the Fiscal Guidance that the OSD and the Services need to develop programs within fiscal constraints. The OMB participates with the OSD in the combined OSD/OMB Budget Review of the Services' BESs. The OMB is the leading governmental agency in the process of creating the President's Budget.

(2) Under Secretary of Defense, Comptroller (USD (C))—The USD (C) is the leading OSD individual in the budgeting phase of the PPBS. The USD (C) is responsible for both formulating and executing the budget. Analysts from this office along with OMB analysts, review and analyze the Services' BESs, issue PBDs and prepare the DoD portion of the President's Budget for submission to Congress.

(3) Under Secretary of Defense, Acquisition, Technology and Logistics (USD (AT&L))—USD (AT&L) is the OSD individual present during the OSD Budget Review or reclama process whenever major acquisition programs are at issue.

## E. DIFFERENCES BETWEEN BRANCHES

Although the PPBS is common for the U.S. military forces, each branch has developed its own version of the system to help it develop its part of the defense budget. This section will present brief a summary of the differences between the U.S. military branches. For more detailed analysis of the Planning, Programming and Budgeting System (PPBS) used by the Military Services one can read Joseph S. Snook's thesis "An Analysis of the Planning, Programming and Budgeting System (PPBS) Processes of the Military Services within the Department of Defense." This part of the thesis is based mainly on the chapter from the above thesis comparing the people, processes and products involved in the PPBS system. The subsection is divided into further subsections examining the Military Services in the following order: the Army, the Navy/Marine Corps and the Air Force.

### 1. US Army

#### a) *Planning Phase*

A two star flag officer leads the Army's PPBS process. His position is the Deputy Chief of Operations and Plans. His division (Operations and Plans Division) leads and controls the planning process. The Total Army Analysis (TAA) facilitates the process of determining the base force level required to meet the objectives set for the Army in The Army Plan (TAP). The Army Plan is a document reflecting the Senior Army Leadership's Vision. It includes several distinct areas such as strategic planning (ASPG); modernization (AMP); long range research, development and acquisition (LRRDAP); and planning guidance (APG). All these areas have

separate documents describing in detail the intent of the Army. These documents together create the Army Plan (TAP). The Army Planning Guidance Memorandum (APGM) is derived from the TAP.

*b) Programming Phase*

The Army Planning Guidance gives the top down guidance to Major Commands (MACOMs) to develop POM inputs [Ref 4]. It covers a 10-year period. These inputs are developed in the form of Management Decision Packages (MDEPs). Their submission is prioritized. They contain both program and budget data. They account for the use of all the Army's resources. The Director of Program Analysis and Evaluation (DPAE) is responsible for reviewing them. Several Program Evaluation Groups (PEGs) support the DPAE by assessing the MDEP in the functional areas for which the PEGs are responsible. Outputs from each of the PEG create the draft of the Army POM.

*c) POM Review*

Program Evaluation Groups are the first level of the Army POM review process. Their prioritized MDEPs are submitted to the Planning, Programming and Budget Committee (PPBC). The PPBC assesses the convergence of the MDEPs with the top-down guidance and decides what MDEPs will get the full resources required, part of the resources required or none at all. These suggestions or unsolved issues are presented to the Senior Review Group (SRG) for consideration. The SRG's suggestions in turn, are submitted to the Army Resource Board (ARB). Once the ARB makes a final decision on the issues presented, the DPAE puts them together, formulating the package for submission to the OSD POM review process. [Ref. 4]

*d) BES Formulation*

The organization responsible for the budgeting process within the Army is the Office of the Assistant Secretary of the Army for Financial Management and Comptroller (ASA

(FM&C)). Because the MDEPs consist of both programming and budgeting data, once the PDM is received the MACOMs can tailor their inputs to meet the PDM. The MACOM BES inputs provide the data for the Army BES and are the starting point for internal review. [Ref. 4]

*e) Internal BES Review*

The corporate structure of the Army is the body responsible for the review of the issues on the margin. To support this review, however, the chairman of the PPBC is changed to the Deputy Assistant Secretary of the Army for the Budget (DAB). The review is not different from the one mentioned above. The only differences are the data used, which now are the budgetary data instead of program data. The ARB makes final approval on the BES. [Ref. 4]

**2. US Navy/Marine Corps**

*a) Planning Phase*

The Navy's leading organization in the planning phase of the PPBS is the Director Assessment Division (N81). Senior corporate structure groups such as the Navy's Integrated Resources and Requirements Review Board (IR3B) and the DoN Program Strategy Board (DPSB) help him in reviewing and approving the programming guidance. [Ref. 4] The Marine Corps is led by the Deputy Chief of Staff for Plans, Policy and Operations in the PPBS.

The Navy uses the Integrated Warfare Architecture Review (IWAR) in the planning process of developing the guidance for the programming phase. For inputs and guidance IWAR uses the CNO Strategic Planning Guidance (CSPG) and Long Range Planning Objectives (LRPO), both developed by the CNO's headquarters organizations.

The Commandant of the Marine Corps is responsible for preparing the document that guides the programming process. The Commandant's Planning Guidance (CPG) is used by the Deputy Chief of Staff for Plans, Policy and Operations to develop the Marine Corps Master

Plan (MCMP). The combat development process generates the requirements for the Marine Air-Ground-Task Forces. The output of this process is the force level in the MCMP. This process is very centralized.

The Navy's final product of the planning phase is the CNO Program Analysis Memorandum (CPAM). The CPAM contains the programming guidance. Other documents are developed to support bridging the Navy's vision statement to programming guidance.

The task of bridging the vision statement to the programming guidance in the Marine Corp is accomplished by Commandant of Marine Corps Planning Guidance (CPG). In addition, the MCMP contains the elements of programming guidance. It finishes the planning phase and begins the programming phase.

*b) Programming Phase*

The Navy has a very centralized process for POM development. The Resource Sponsors (RS) are the main bearers of the POM development process. They include different Divisions and Directorates from the Office of the Chief of Naval Operations (OPNAV).<sup>20</sup> The Resource Sponsors develop Sponsor Program Proposals (SPPs). The SPPs describe the resource allocation within these programs. The Resource Sponsor is also obliged to address the top five items from the CINC Integrated Priority List. SPPs establish the base for the POM review process within the Navy. [Ref. 4]

The Total Obligational Authority (TOA) estimate developed by the Marine Corps Deputy Chief of Staff (DCS) for Programs and Resources is used to develop the core funding level. This determines which programs will be taken into consideration during the allocation of resources. Program Evaluation Groups (PEGs) gather the information from the operational forces

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<sup>20</sup> More information about Resource Sponsors can be found on line:  
<http://cno-n6.hq.navy.mil/N6E/PPBS/default.htm>.

to determine the number and the scope of programs competing for the resources. PEG recommendations are prioritized and program initiatives are developed, providing the basis for the POM review process. PEGs are not fiscally constrained.

*c) POM Review*

Contrary to the four-level Army POM review process, the Navy has only three levels. They include: the Integrated Resources and Requirements Review Board (IR3B), the CNO Executive Steering Committee (ESC) and the DoN Program Strategy Board (DPSB).

The Resource Sponsors present their SPPs to the IR3B for review. Since the SPPs are consistent with planning guidance, they are compiled by the Programming Division from the Office of the Chief of Naval Operations (N80) into a POM proposal. The ESC reviews the proposal for policy issues. Then, the CNO approves the Tentative POM (T-POM). The T-POM is presented by N80 and the Marine Corps DCS for Programs and Resources to the DPSB. After the review by the DPSB and decisions made by the SECNAV, the DoN POM is submitted to the OSD for review. [Ref. 4]

*d) BES Formulation*

The Fiscal Division (N82) manages the Navy's budgeting process. The guidance for the BES comes from the Office of Budget (FMB). The Budget Submitting Offices (BSOs) provide the BES inputs and are responsible for submitting a balanced, executable BES, meeting the POM requirements and FMB guidance. The Navy's BES formulation process is decentralized.

Within the Marine Corps, the Marine Corps DCS for Programs and Resources is responsible for the transition of the POM to the BES. Unlike the Navy, the Marine Corps' BES formulation process is strictly centralized.

*e) Internal BES Review*

Because the Marine Corps is a Budget Submitting Office (BSO) of the DoN, it also takes part in the Navy's internal BES review process. FMB conducts the Navy's BES review. The FMB analysts study the adherence of the BSOs to the POM and budget guidance. Additional sessions between FMB and the BSOs are conducted if the BSO assessment does not support the BES. If there is a lack of compromise, a Major Budget Issue meeting can be organized between the SECNAV and the interested BSO to solve the problem.

**3. US Air Force**

The U.S Air Force planning phase is led by a three-star flag officer, the Air Force Director of Plans (AF/XPX). The AF/XPX is responsible for developing the AF Strategic Plan (AFSP). This process is very centralized, concentrating all activities within the Director of Plans Division.

*a) Planning Phase*

The Air Force Strategic Plan is the document providing the necessary programming guidance for developing the POM. The Modernization Planning Process is developed to address the needs and requirements of the Air Forces for modernization. [Ref. 4]

*b) Programming Phase*

The programming guidance for the Major Commands (MACOM) within the Air Force is delivered via the Annual Planning and Programming Guidance (APPG). MACOM, Integrated Process Teams (IPT) and Program Elements Monitors (PEMs) provide the inputs for the baseline extension. The Baseline Extension extends the Program Baseline into the last two years of a new FYDP. [Ref. 4] The other programs not chosen for extension compete for the remaining scarce resources (dollars). IPT proposals establish the inputs for the Air Force draft POM.

*c) POM Review*

The Air Force Corporate Structure (AFCS) is the body within the Air Force responsible for producing and submitting the POM to the OSD. The AFCS consists of five mission and nine mission-support panels. They are required to forward balanced proposals for their areas of interest to the Air Force Group (AFG). The AFG compiles all proposals into one balanced integrated AF program. The integrated program is then submitted to the Air Force Board (AFB). After conducting the review process, the AFB submits and makes recommendations to the Air Force Council (AFC). The AFC is the final review board. It makes final recommendations to the Secretary of the Air Force (SECAF). The Director of Programs Integration (AF/XPPE) submits the AF POM to the OSD for Review when approved. [Ref. 4]

*d) BES Formulation*

The Operational Budget Review (OBR) begins the process of BES formulation within the Department of the Air Force. The Investment Budget Review (IBR) is the next step in the BES formulation process. The Air Force Deputy Assistant Secretary for Budget (SAF/FMB) is the leading individual responsible for conducting these two reviews. These reviews determine expected obligation and execution rates based on previous performance. The repriced POM is used as the starting point for the internal BES review process. This process is a SAF/FMB centralized process. [Ref. 4]

*e) Internal BES Review*

The Air Force Corporate Structure (AFCS) reviews the BES. The chair of the AFB is delegated to the Deputy Secretary for Budget (SAF/FMB). The AFB is briefed on the changes and adjustments recommended by the OBR and IBR processes. The final approval is made by the SECAF after the AFC resolves all unsolved issues and submits the BES to the CSAF.

## **F. CONCLUSIONS FROM THE CHAPTER**

The PPBS system is a complicated and multi-level system. In addition, each phase overlaps the two other phases. Because the PPBS is an overlapping system, the activities from the one phase must be completed on time. Otherwise, delays would be generated and the process would slow down. Because of the multi-level character, the PPBS system is exposed to such factors as interest groups, lobbies, and political influence. Therefore, involvement by high level officials and military officers is essential to provide the process with the best knowledge in their respective areas of interest. Another factor is that the system requires the involvement of so many personnel that a situation can easily be created in which some of the information is missed.

However, the multi-level approach to the problem of scarce resource allocation provides the services with the most efficient use of the resources available. This is because each decision is analyzed, at least at the margin. There are many competitors for the resources, so each of them has to explain very clearly what they intend to do with the resources allocated. The process also provides a means for reclama for those who are dissatisfied with the outcome of the PPBS. However, there is no appeal after the final decision.

There are some differences in the process of formulating the products of each phase among the services. As mentioned earlier, some of them use a decentralized approach like the Army during the planning phase to gather the necessary information. Other Services take a highly centralized approach during the same phase. However, there are some changes during the next phase. The Army and Air Force use decentralized inputs and a centralized review and approval process. The Navy and Marine Corps use a centralized approach during the whole process.

The next chapter describes the budgetary system used in Poland. The chapter is divided into three sections. The first section provides information on the legal base for the system. The second section analyzes the procedures used at various levels of the budget process such as the Ministry of National Defense level, the government level and the parliament level. The last section describes the means of control over the execution of the budget. This includes the means of control used by both the Ministry of National Defense and Government Agencies.

### **III. POLISH BUDGETARY SYSTEM**

#### **A. INTRODUCTION**

This chapter presents the process of formulating the Polish defense budget. The introductory part will present the governmental system in Poland. The intent of this part is to ensure that a reader will clearly picture the procedures occurring during the process of formulating the budget. The next section will present the legal basis of the budgetary process. This section will concentrate mainly on the Constitution of the Republic of Poland as the main document. In addition, some aspects of budget law will be presented.

The scope of the second section focuses on the procedures that happen while the budget is formulated. Five subsections comprise this section. The first subsection presents the creation of the budget in the Ministry of National Defense. The next subsection delineates the procedures within the government of Poland. The third subsection describes the procedures in the Parliament. The fourth subsection concentrates on the options available to the President of the Republic of Poland. The last subsection describes the execution of the budget in the MoND.

The last section of this chapter concentrates on the control over the execution of the budget. There are two subsections. The first one describes how the Polish Ministry of National Defense controls the execution of the budget. The next subsection describes the role of the governmental agencies in the process of controlling the budget execution.

The Polish governmental system presents a hybrid of a parliamentary system. On the one hand, Poland has the President, who is popularly elected every five years. The President of Poland is also the Supreme Commander of the Polish Armed Forces. The President can exercise his

authority granted by the Constitution by issuing the Official Acts; however, the Prime Minister must sign these Official Acts.

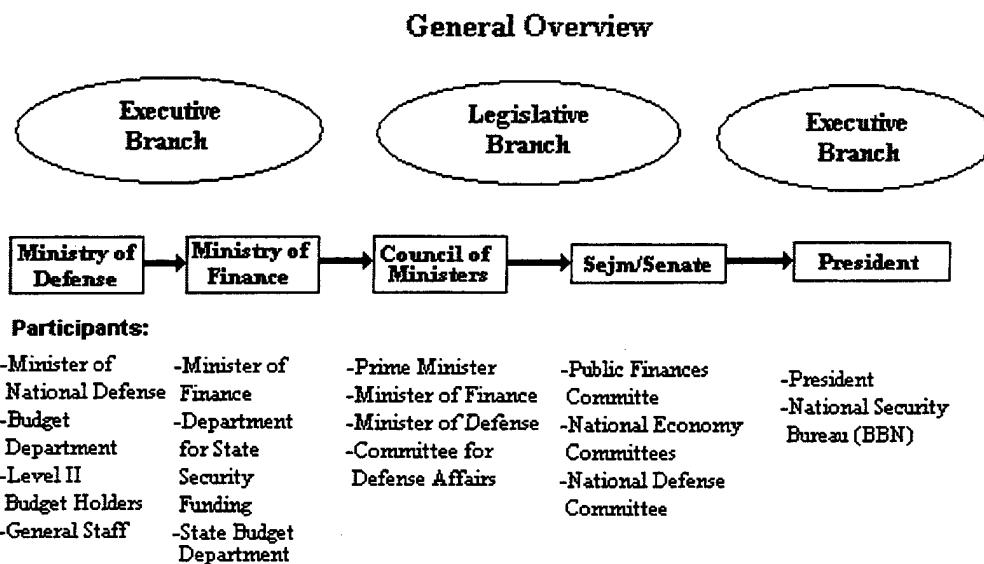
The President also chairs a National Defense Committee as the commander-in-chief. The Prime Minister and the Minister of National Defense are the Deputy Chairmen. The Committee also includes the Presidents of both the Sejm (lower house of the Parliament) and the Senate (upper house of the Parliament), the Ministers of Foreign Affairs, Internal Affairs, Finance and the Chief of the General Staff. [Ref. 2]

The hybrid character of the governing system in Poland results from the fact that the President sharing his power with the Prime Minister and the Council of Ministers. The President appoints the Prime Minister. The Prime Minister is legally obliged to introduce members of the Council of Ministers to the President. Once the Prime Minister reaches an agreement with the political parties creating the leading coalition, the President formally appoints the Prime Minister and the whole Council of Ministers. The Sejm then approves the whole government.

If the President cannot appoint the Prime Minister or the government cannot win approval from the Sejm, the Sejm is then required to appoint the new Prime Minister and the Council of Ministers and the President must accept them. If the above options do not result in the government being approved by the Sejm, the President has the right to appoint the next Prime Minister and his Council of Ministers and to submit them for a vote of confidence in the Sejm. In case of failure, the President must call for elections to form a new Sejm. Once in office, the Prime Minister issues policy documents to direct the branches of the Polish government. [Ref. 12]

The Council of Ministers is responsible for executive issues. It accomplishes this by ensuring that laws are obeyed. The Council of Ministers supports the implementation of the law by drafting the budget and then controlling the execution of the budget. The Council also exercises

“general control in the field of national defence.” [Ref. 12] Members of the Council are collectively responsible to the Sejm for the activities of the Council and are individually responsible to that body for matters within their competence. The members of the Council may be changed by the President at the request of the Prime Minister or in the case of a vote of “no confidence” by the Sejm for that particular member. [Ref.12]



**Figure III-1 General Overview of the Budgeting Process in Poland<sup>21</sup>**

The following lists the major bodies and institutions affecting the process of creating the State Budget as a whole and the Defense Budget in particular:

- The Ministry of Finance;
- The Ministry of Economy;
- The Monetary Policy Chamber;
- The National Bank of Poland;
- The Level I Budget Holders;
- The Council of Ministers;
- The Parliament;

<sup>21</sup> NPS Report: “Proposed Blueprint for Polish National Acquisition Strategy,” Naval Postgraduate School, Monterey CA 2000.

- The President. [Ref.13]

The budget development starts within the executive branch. Next, it is transferred to the legislative branch for approval. Once approval has been granted, the process returns to the executive branch for final approval and execution. Figure III-1 provides an overview of the budget procedures across the institutions of the government. In short, the Ministry of National Defense submits a defense budget proposal by the Ministry of Finance to the Council of Ministers. The Council of Ministers can either approve or not approve the proposal. When the budget is not approved, the necessary changes must be made. Once approved, the defense budget, which is part of the State Budget, is submitted to the Parliament for further consideration and possible changes and finally for approval. Once approved by the Parliament, the State Budget and the included defense budget is given to the President for final approval and execution. The above steps will be presented in the following sections, presenting the procedures at the different levels of creating the budget.

## B. THE LEGAL FOUNDATIONS OF THE BUDGET SYSTEM

There is a close relationship between public spending and the law. The Polish legal system has no such term as “defense budget.” According to the law, the State budget consists of parts. These parts are assigned to the chief bodies of the state authority. The Ministry of National Defense is responsible for the 29<sup>th</sup> part of the state budget. This part is called “The Ministry of National Defense.” The following subsections will describe the laws and regulations actually being used in Poland in creating of the Ministry of National Defense’s part of the State Budget. The first subsection will cover the legal regulations covered by the Constitution of the Republic of

Poland. The second subsection will cover budget law and other regulations, for example those issued by the Minister of National Defense.

### **1. The Constitution**

The Constitution of the Republic of Poland states that the Sejm enacts the State Budget annually and can grant or can refuse to grant approval for the financial accounts submitted by the Council of Ministers for the execution of the budget in the previous year.<sup>22</sup> The Constitution designates the Council of Ministers as the body responsible for submitting the annual budget proposal and budget execution report for the previous. The Council of Ministers has to submit the proposed budget draft to the Parliament three months before the beginning of the new fiscal year. In addition, the Constitution defines the powers of the President in detail. For example, article 225 says "If, after four months from the day of submission of a draft Budget to the Sejm, it has not been adopted or presented to the President of the Republic for signature, the President of the Republic may, within the following 14 days, order the shortening of the Sejm's term of office."

[Ref. 12]

### **2. Budget Law**

Whereas the Constitution of the Republic of Poland provides very general, yet, legally binding norms and solutions in terms of the State budget and other issues associated with it, the Budget Law provides detailed information and requirements to the various budget holders. Two legal acts regulate budget issues in Poland. The first act is the Budget Law. The second is called the Budgetary Statute.<sup>23</sup>

#### **a) Budget Law**

The Budget Law regulates the terms, defines the general principles and the procedures of accumulating pecuniary resources covered by the state budget and communes budgets.

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<sup>22</sup> The Government of Poland, *The Constitution of the Republic of Poland*, Art. 226, 1997.

<sup>23</sup> The Government of Poland, *The Constitution of the Republic of Poland*, Art. 219, 1997.

Local self-governments are assigned the money that allows them to fulfill their legal obligations. It also defines the allotment of the financial resources for financing the tasks resulting from the function of the state and the local self-governments. It also regulates organizational and legal forms of the entities, which implement tasks included in the state budget and the commune's budgets. In addition, the Budget Law determines the way the Budgetary Status—the State Budget—is planned and executed and outlines the responsibilities in case the Budgetary Status is violated. The Budget Law is the general legal regulation, as compared to the annual detailed regulation, which is the Budgetary Status.

*b)      **Budgetary Status***

Contrary to the Budget Law, the budgetary status is a detailed legal act, enacted annually. The budgetary status determines the financial resources delegated to the particular budget holders and specifies what these resources will be spent on. To address all of the different budget holders and the very complex set of issues that the defense budget deals with, budgetary classifications were created.

*c)      **Defense Budget Classifications***

The Ministry of National Defense has a separate part of the state budget. The number describing this part is “Twenty-Nine.” Part 29 is further divided into thirteen sections. They include among others:

- **Health Care:** covers expenditures from the defense budget for the military Health Care Service;
- **Social Service:** issues associated with social help such as child benefits, nursing benefits, etc.
- **State and Local Administration:** covers the payrolls of the civilian employees having the status of government employees and those working in the Central Institu-

tions<sup>24</sup> of the Ministry of National Defense (i.e., the Departments, General Staff or Chancellery of Minister of National Defense);

- **Military Jurisdiction:** includes the means for financing military courts and procurators;
- **Social Security:** provides money for the pensions and other liabilities for retired military personnel;
- **Subsidies for Economic Tasks:** provides subsidies for military firms maintaining military infrastructure;
- **National Defense:** the primary and the largest portion of the defense budget.

More detail is provided, according to the types and forms, for the division of expenditures and revenues by chapters and paragraphs. Expenditures and revenues are addressed separately. There are 12 chapters in the above National Defense part of the defense budget of the Republic of Poland. The following are only examples of the chapters:

- **Chapter 75201:** Land Forces;
- **Chapter 75202:** Air Force;
- **Chapter 75203:** Navy;
- **Chapter 75205:** Integration with the North Atlantic Treaty Organization;
- **Chapter 75206:** Military Intelligence.

Other chapters cover in detail the areas of the liabilities to the NATO budget and other international commitments, military justice and different military ministries.

One aspect of the division by chapters is very important. This division is not static; it is a living document, changing according to the particular situational or parliamentary needs. Outdated chapters are excluded and new ones are added. In addition to changes at the chapter level, there are some changes at the paragraph level. As an example, the new Paragraph 70 for acquisition of military equipment may be used. Created in 1998, it reflects the need for the Polish Armed Forces to acquire new equipment, combat systems, and to replace the old Russian

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<sup>24</sup> Central Institutions of the Ministry of National Defense refers to the Departments, the Offices of Deputy Ministers and others having the status of the Level II Budget Holders.

equipment. The changes reflect the dynamics of the reality and the need for effective and efficient management of the Polish Armed Forces. The division into parts and chapters is the same for expenditures and revenues; however, there are differences between them at the paragraph level. [Ref. 13]

**d) Paragraph Classification of the Defense Budget**

Paragraph classification in the defense budget is a derivative of the general classification used for the state budget and provided by the Ministry of Finance. There are some exceptions, however. In the paragraph classification of the defense budget, there are no paragraphs like “gambling tax” or “inflows from the revenue of the National Bank of Poland.” This is because the military does not conduct such activities. The differences mentioned earlier have some historic roots, when some parts of the budget were considered classified. The present classification meets the demand for the defense budget to be compatible with other parts of the state budget. This is particularly important at two times. The first situation is when the budget proposal or draft is being prepared for presentation and submission to the Sejm for consideration. The second need occurs when the government is required to submit a report on execution of the budget for the past year.

In addition to the paragraph classifications, there is the next level of division by position. A position describes, in detail, the exact expenditure that appropriated money is to cover. Once again Paragraph 70 is used to describe the possible positions within a paragraph. This paragraph includes 32 positions. The following are examples of positions:

- **Position 01-** missile systems;
- **Position 07-** aircraft-different types;
- **Position 10-** artillery;
- **Position 25-** vessels and other supporting units. [Ref. 13]

e) ***Budget Holders Classification***

Another type of classification is the internal division for budget holders within the Ministry of National Defense. This is the index of the military institutions and agencies responsible for planning and executing the expenditures assigned to them. For example, the Commander of the Land Forces is responsible for all issues associated with the existing land forces with the exception of units assigned to other commands. The number of budget holders is tightly associated with the organizational needs of the Ministry of National Defense.

As of this writing there are 21 budget holders. They are organized by levels. The highest level is a Level I Budget Holder. The Minister of National Defense holds the first level. He is the main budget holder within the ministry. Level II Budget Holders are the commanders of the three services, i.e., the Land Forces (Army), the Air Forces and the Navy, Commanders of the Military Districts<sup>25</sup> and commander of the Warsaw Garrison. They report directly to the Minister of National Defense. Level III Budget Holders are Directors of some Departments and other organizational units reporting directly to the Level II Military Budget Holders. Level III Budget Holders can transfer funds assigned to them to other units, which are under the Level III Budget Holders' jurisdiction. There is a small difference between Level III Military and Civilian Budget Holders. Level III Civilian Budget Holders cannot transfer funds to someone else. [Ref. 13]

The classifications of the defense budget are complex and can be difficult to understand for somebody without preparation and necessary knowledge. These classifications, however, make the control and planning of the budget easier and more transparent, which in the case of money is highly desirable.

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<sup>25</sup> There are four military districts in Poland: the Central Military District, the Pomeranian Military District, the Silesian Military District and the Cracowian Military District. The districts represent the division of the territory of Poland into parts, command over which is granted to separate commanders.

## *f) Other Budget Regulations*

According to the legal delegation, the Minister of National Defense, in consultation with the Minister of Finance, can establish detailed norms and regulations of financial management for the subordinate units and departments within the Ministry of National Defense. In addition, the Minister of Defense can issue any classification of expenditures and revenues, any financial accounting norms and standard operating procedures resulting from hearings in front of the ministerial committees in case of budget violations. These norms and standard operating procedures can be useful in creating the defense budget. However, there are some limitations imposed on the Minister of National Defense. As mentioned earlier, the defense budget must be compatible with other parts of the state budget. [Ref. 13]

The next section describes the budgetary procedures used during the process of creating the defense budget of Poland.

## **C. THE BUDGETARY PROCEDURES**

Creating the budget occurs simultaneously at a minimum of three levels. These levels, however, cannot exist independently. The main level, at which the defense budget, as a part of the state budget, is created at the governmental level. The next level, equally important, is the level of MoND. That level is responsible for developing the particular shape of the defense budget within the Ministry of National Defense. The last level is the Parliamentary level, at which final changes and deliberations are made. Finally, the budget is submitted to the President for final approval and signature. The presidential signature makes the state budget executable. This section presents the three levels used in creating the defense budget in Poland. It begins with the level of the Ministry of National Defense. The next subsection outlines the governmen-

tal level. Finally, Section C presents procedures within the Parliament and options available for the President of Poland in the process of approving the state budget. [Ref. 13]

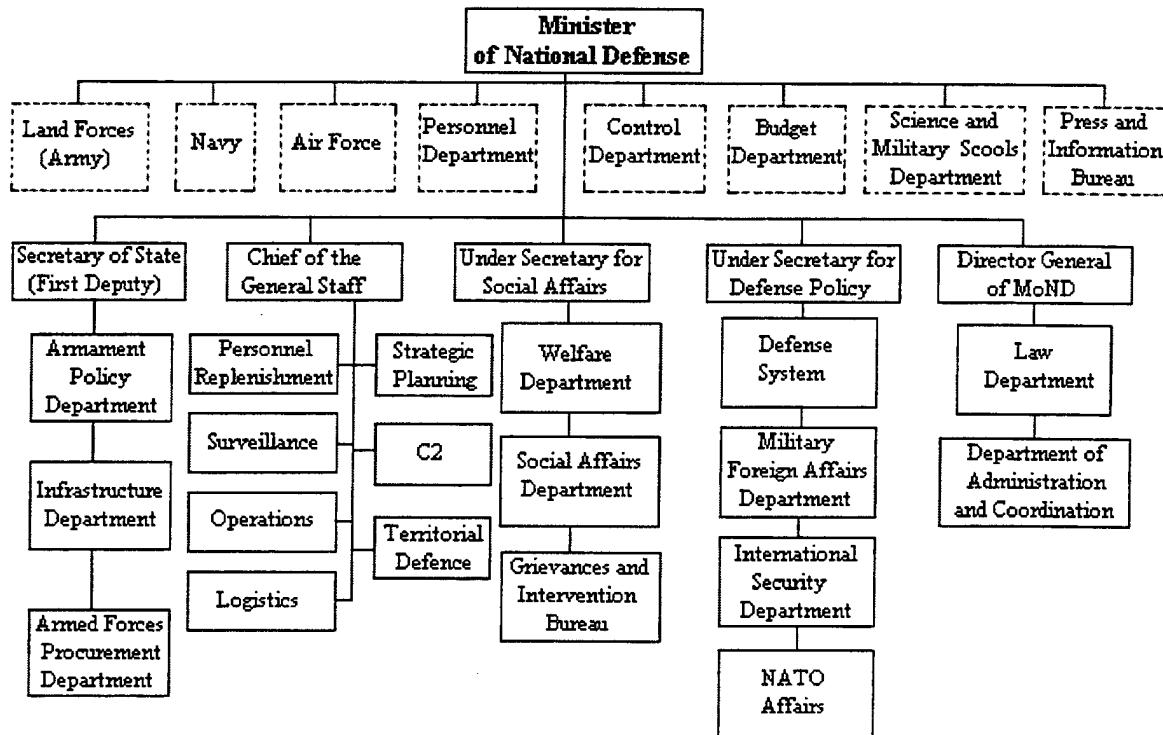
The Constitution of Poland states that the Council of Ministers is responsible for submitting the next-year state budget draft to the Sejm. The Constitution also states that submission must be done at least three months before the beginning of the next fiscal year. The beginning of the New Year is assumed to be the beginning of the new fiscal year. [Ref. 12]

The preparation of the state budget by the Level I Budget Holders, among whom is the Minister of National Defense, is regulated by the Minister of Finance who issues a special note to the main budget holders annually. This note is called the Budget Note. The Budget Note establishes details for the process of creating the budget. All Level I Budget Holders are required to submit the material plans to be realized during the fiscal year. [Ref. 13]

### **1. Formulation of the Budget within the Polish Ministry of National Defense**

Figure III-2 presents the structure of the Polish Ministry of National Defense. Presenting the structure here helps one understand the process of creating the defense budget within the MoND. The following are the most important actors in this process:

- The Minister of National Defense;
- The Budget Department;
- The General Staff;
- Level II Budget Holders.



**Figure III-2 General Structure of the Polish Ministry of National Defense<sup>26</sup>**

The Minister of National Defense is the Level I Budget Holder. The Next Level Budget Holders are the commanders of the three services, i.e., the Land Forces (Army), the Air Forces and the Navy, commanders of military districts and the Commander of the Warsaw Garrison. They report directly to the Minister of National Defense. The above actors create the MoND Budget Committee. The Chairman of the MoND Budget Committee is the Minister of National Defense. Three Permanent Subcommittees support the MoND Budget Committee in the matters assigned as their responsibilities. The following present the areas of interests of the Permanent Subcommittees:

- Permanent Subcommittee on R&D and implementation, armament, military equipment and spare parts procurement and maintenance—Chaired by the Director of the Armament Policy Department.

<sup>26</sup> NPS Report: “*Proposed Blueprint for Polish National Acquisition Strategy*,” Naval Postgraduate School, Monterey CA 2000.

- Permanent Subcommittee on construction investment—Chaired by the Director of the Infrastructure Department.
- Permanent Subcommittee on other expenditures—Chaired by the Deputy Director of the Budget Department. [Ref. 2]

The basis for the planning process within the MoND in Poland is the Guidance of the Minister of National Defense for Defense Budget Planning. The MoND Budget Committee revises the draft of this guidance. This guidance covers the following areas:

- Main undertakings for organizational changes, R&D, acquisition of the new equipment and systems, maintenance of equipment currently in use, investment in new facilities and maintenance of the current facilities and training and retainment of personnel;
- Limits on expenditures for particular budget holders;
- Number of positions for civilian and military personnel for particular budget holders;
- Propositions for systemic changes. [Ref. 13]

To prepare the budget drafts, the Guidance of the Minister of National Defense for the Defense Budget Planning provides the baseline for the Commanders of the Services and the Commanders of the Military Districts, who are the Level II Budget Holders and for the Directors of the Central Institutions of the MoND who are the Level III Budget Holders,. These budget holders have been assigned detailed types of expenditures for both planning and executing matters. Detailed norms and rules for preparing the budget drafts are presented in the “Budget Note of the Director of the Budget Department.”

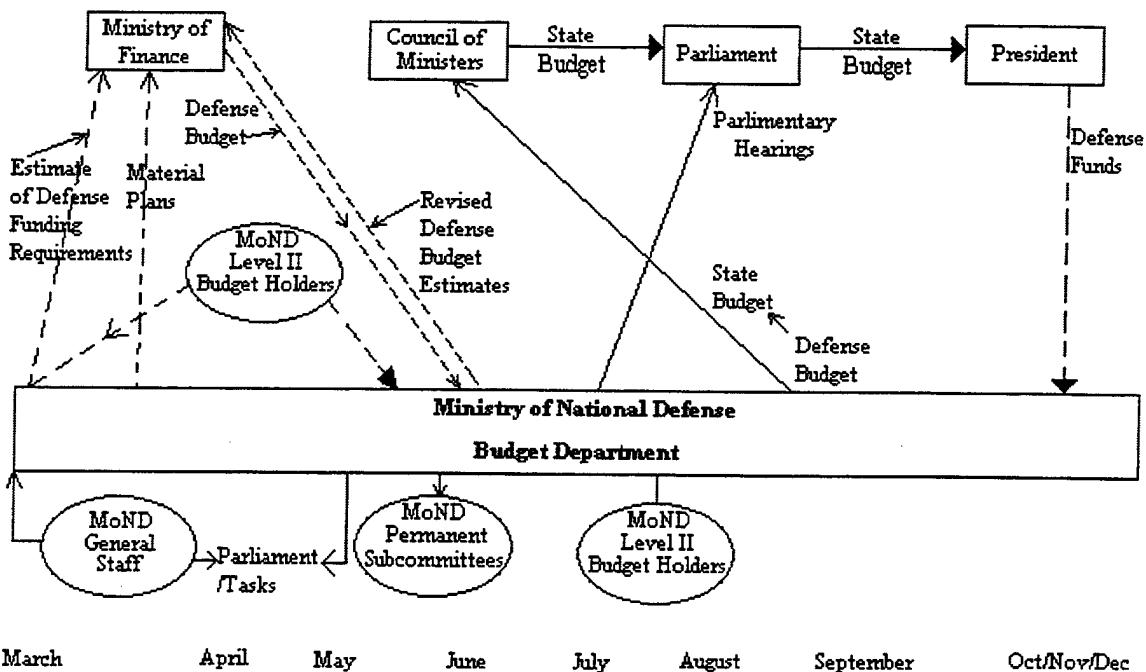


Figure III-3 Activities within the MoND<sup>27</sup>

Figure III-3 presents the overall process of preparing and creating the Defense Budget within the Ministry of National Defense. As one can see from the figure III-3, the activities within the MoND overlap with the parliamentary stage of working on the budget. This overlap occurs during the Parliamentary Hearings, when the Level II Budget Holders are asked many questions regarding different aspects of the Defense Budget and activities conducted by particular Budget Holders.

The process of budget planning within the MoND begins in March. At that time, the Budget Department prepares the estimates for the funding requirements for the following year. The Level II Budget Holders and the General Staff help the Budget Department prepare these estimates. Several documents are included in the process of making these estimates. For exam-

<sup>27</sup> NPS Report: "Proposed Blueprint for Polish National Acquisition Strategy," Naval Postgraduate School, Monterey CA 2000.

ple, the Ministry of Economy in collaboration with the Ministry of Finance, the Ministry of Work and Social Policy and the National Bank of Poland, prepares macroeconomic forecasts. Assumptions about the State Budget approved by the Council of Ministers in matters concerning expenditures and revenues for particular parts of the State Budget are included. Expenditures for a particular part of the State Budget are determined by limits assigned to these parts of the State Budget. Finally, other regulations concerning the number of personnel allowed for particular Budget Holders and wage rates are taken into consideration. [Ref. 13]

In March, the Commander of the General Staff conducts the decision game. During that game, the Commanders of the Services, together with other executive staff from the Central Institutions of the Ministry of National Defense, present priorities and tasks for the particular Budget Holders (the Services, the Military Districts, the Central Institutions). Priorities and decisions made during this game are placed into the document that starts the main stage of the planning process. This document is called the Guidance of the Minister of National Defense for the Defense Budget Planning.

In April, the Budget Department, based on the information gathered from Level II Budget Holders, submits estimates on the predicted expenditures during the following year in the form of the Material Plan to the Ministry of Finance. The Guidance of the Minister of National Defense for the Defense Budget Planning is issued in the same month. The Guidance establishes the military goals and priorities for the following year. However, these goals and priorities are not connected with the estimates submitted to the Ministry of Finance. [Ref. 2]

In June, Level II Budget Holders submit their budget proposals to the Budget Department. The more detailed description of that process follows in the section describing preparation of the budget within the Land Forces.

In July, the Ministry of Finance provides the Ministry of National Defense with the limit for the defense budget. Usually this limit differs from the budget requested by the Ministry of National Defense. Additionally, the budget provided is not divided into functional or military services areas. To respond to the budget provided by the Ministry of Finance, the Ministry of National Defense has only 21 days. [Ref. 2] The leading body in reallocating the assigned resources is the MoND Budget Committee. This body also allocates funds among the Services. The Budget Department makes the further allocation among the Level II Budget Holders. The corrected Defense Budget is submitted to the Ministry of Finance in August. During September, the Council of Ministers conducts the necessary activities required to combine all parts of the State Budget into one budget. When this is accomplished, the State Budget is submitted to the Parliament. October is the month of the Parliamentary Hearings. [Ref 14] Additionally, the Level II Budget Holders prepare their financial plans.

By the end of October, the Parliament is expected to finish the process of hearings and to approve and to submit the State Budget to the President for the final approval. Once approved by the Parliament and signed by the President, the State Budget allows the Minister of National Defense to develop the document called the Budget Decision. The Minister of National Defense has 21 days to sign this document once the Parliament has passed and the President has signed the State Budget. The Budget Decision in turn approves the Level II Budget Holders and allows them to implement their respective financial plans. The financial plans approved by the Minister of National Defense are used as the basis for public tenders. Contracts, however, cannot be signed until January 1, which is the beginning of the new fiscal year. [Ref. 2]

The following presents the process of preparing and creating part of the Defense Budget by the Level II Budget Holder—the Commander of Land Forces.

*a) Development of the Budget within the Land Forces*

Based on the Guidance of the Minister of National Defense for the Defense

Budget Planning, the Commander of the Land Forces assigns tasks for the Chiefs of Departments of the Command of the Land Forces. They are responsible for preparing the budget of the Land Forces. These tasks include identifying the funds for particular activities and endeavors. Particular attention is paid toward realizing allied commitments.

After receiving the tasks, the Chiefs of the Departments, together with supporting staffs, prepare the draft of plans in the areas of their respective responsibilities:

- Ensuring continuous day-to-day functioning of the units of the Land Forces and day-to-day training process, including personnel expenditures;
- Financing the tasks resulting from integrating with NATO;
- Providing the funds for acquiring new combat systems and equipment for modernizing the Land Forces;
- Ensuring enough funds for spare parts for equipment currently in use;
- Providing necessary funds for overhauling the weapons and supplies of war and other equipment;
- Financing R&D projects;
- Financing international relationships;
- Financing other tasks assigned to the Land Forces to perform tasks for other Services.

[Ref.14]

In creating the above plans, the Chiefs consider expected organizational changes of the Land Forces determined by personnel limits, legally binding norms of expenditures, the quantities of armament and equipment planned for purchase and costs and expenditures from previous years. In case of overdrafts, corrections are made by the Commander of the Land Forces who cannot exceed the limits imposed on him by the Minister of National Defense. These limits are included in the Guidance of the Minister of National Defense for the Defense Budget Planning.

The Chief Accountant of the Land Forces is responsible for preparing the draft of the budget of the Land Forces. The Chief leads the whole process of preparing the draft of the budget within the Land Forces. In this process he is obliged to follow the rules established by the Director of the Budget Department and published in the Budget Note. [Ref. 14]

Once prepared and approved by the Commander of the Land Forces, the budget draft of the Land Forces is submitted, in June, to the Secretary of State-First Deputy Minister of the National Defense, the General Staff and to the Budget Department for verification by the Permanent Committees existing within the MoND. Any proposals of changes and comments are returned to the units preparing the particular parts that the comments or proposals concern.

In July, after determining the inflation rate and assessing the tentative limit for the defense budget by the Council of Ministers, the draft budget is transformed into the real prices and expenditures for the planned year. Additionally, the verification of the draft budget reflects the changes made by the Minister of National Defense according to the limits of expenditures for each Level II Budget Holder. These changes frequently require an extensive redesign of the budget of the Land Forces and other budgets of the Level II Budget Holders. [Ref. 14] The extensive consultation on the final form of the budget between the Land Forces and the General Staff together with the Budget Department lasts until September. They include detailed discussions on topics such as preparing explanations for the Parliamentary National Defense Committees. Topics of particular interest to the members of these committees include outlays for procuring new armament and military equipment, research and development projects, executing and accomplishing the goals of the Land Forces, and accounting for personnel positions.

In October, the Commander of the Land Forces, with other Level II Budget Holders, participates in the session of the Parliamentary National Defense Committee, explaining any

issues that may arise in his area of responsibility. The document resulting from these hearings is combined with other parts of the State Budget to generate the Project of the State Budget. [Ref. 14]

This Project, in the part responsible for the Land Forces, establishes the legal basis for the Commander of the Land Forces to issue the project of the Financial Plan for the following year. The Commander of the Land Forces sends the subordinate Level III Budget Holders information about planned budget expenditures for the following year based on the Financial Plan. Additionally, the information about personnel limits is included. The final decision is issued after the President of the Republic of Poland approves and signs the State Budget. The issuing of the Budget Decision by the Minister of National Defense ends the budgeting process.

[Ref. 14]

The next subsection presents a description of activities that occur within the government during the process of creating the defense budget.

## **2. Procedures in the Government**

The Minister of Finance, as a part of the government, establishes the overall rules for all Level I Budget Holders. These rules are published in a document called the Budget Note of the Ministry of Finance. Although the role of the Minister of Finance is significant when creating the State Budget, the Council of Ministers, led by the Prime Minister, makes the final decision on the budget. This subsection presents the activities that occur during the governmental stage of developing the State Budget.

The Defense Budget, finally adjusted to reflect the limits on expenditures imposed on the Ministry of National Defense by the Ministry of Finance, is submitted by the Minister of National Defense to the Council of Ministers from August to September.

Figure III-4 presents the activities within the Council of Ministers. An interesting characteristic is that all activities happen within the Council. No outside parties are involved during this stage.

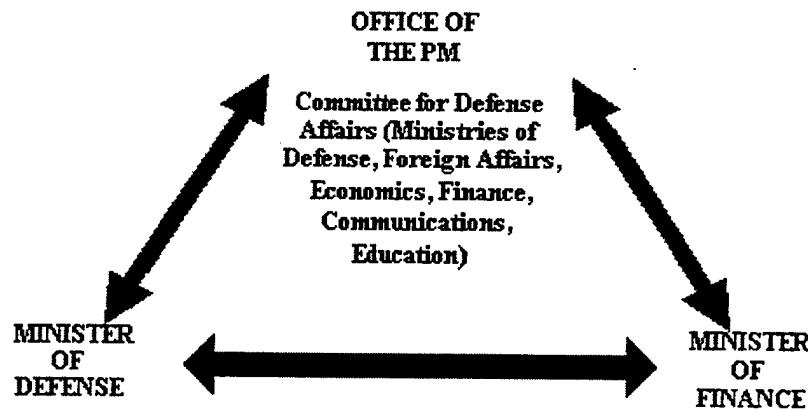


Figure III-4 Activities within the Council of Ministers<sup>28</sup>

There are several factors that the Prime Minister must consider when making decisions on the Defense Budget. The most important factors are other governmental priorities and the impact of the Defense Budget on the economy.

The Committee for Defense Affairs revises the Defense Budget and the appropriate level of funding for the MoND. This Committee exists within the Council of Ministers. The Minister of National Defense leads the Committee. The Committee for Defense Affairs includes the following ministers:

- The Minister of Foreign Affairs;
- The Minister of Economics;
- The Minister of Finance;
- The Minister of Communication;
- The Minister of Education. [Ref. 2]

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<sup>28</sup> NPS Report: "Proposed Blueprint for Polish National Acquisition Strategy," Naval Postgraduate School, Monterey CA 2000.

During its work on defense matters, the Committee for Defense Affairs considers various information. Some of the information may be classified. The other types of information include budget materials and the documents prepared by the MoND pertaining to national security and national defense strategy. The main interest is directed, however, toward the major acquisitions proposed by the MoND. [Ref. 2]

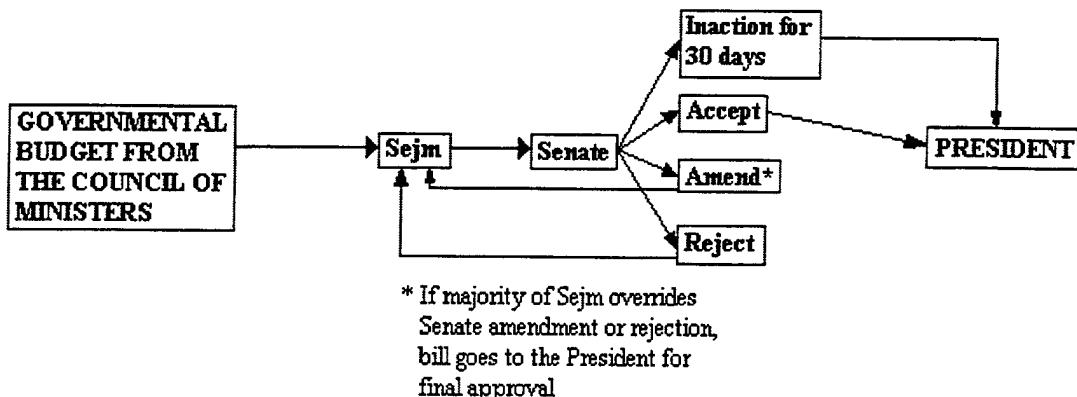
The Ministry of Finance is one of the most important players in clarifying the final version of the State Budget. This office works together with other ministers and the Prime Minister and tries to balance defense matters with other different policy objectives of the government. [Ref. 2]

Once an agreement within the Council of Ministers is reached and a final decision is made, the Council of Ministers submits the State Budget to the Parliament for further consideration. The Parliament has about three months (October-December) to pass the Budgetary Status into the law. [Ref. 12]

### **3. Procedures in the Parliament**

The Constitution of the Republic of Poland legally obligates the elected members of the two chambers of the Polish Parliament to review the budgets for all activities of the different ministries within the Polish government. [Ref. 12] First, the Sejm reviews the State Budget and the Defense Budget as a part of the State Budget. Two important committees within the Sejm that shape the final outlook of the State Budget are the Public Finance Committee and the National Defense Committee. The corresponding committees in the Senate are the National Economy Committee and the National Defense Committee.

Figure III-5 presents the chain of events that occurs in the Parliament.



**Figure III-5 Activities within the Parliament<sup>29</sup>**

The Defense Budget, as a part of the State Budget, is sent to the Parliament after being approved by the Council of Ministers. Once the State Budget is sent to the Parliament, the Public Finance Committee then reviews the State Budget. This review concentrates on the total spending of each Level I Budget Holder and the total amount of money within the State Budget. Governmental priorities and the level of funding provided to them are also examined during that time. To support the Defense Budget, which is Section 29 of the State Budget, the MoND sends detailed budget data to the National Defense Committees of the Sejm and the Senate. The data are expected to support the request for the MoND spending. [Ref. 2]

The Sejm's National Defense Committee reviews the defense budget separately. During this review, the officials from the MoND are consulted to explain and to corroborate the needed funds to the members of the committee. This usually takes the form of hearings, during which the officials from the MoND present their points of view to the members of the Committee, sup-

<sup>29</sup> NPS Report: "Proposed Blueprint for Polish National Acquisition Strategy," Naval Postgraduate School, Monterey CA 2000.

porting those views with numbers and specific arguments. Any question from the members of the committee must be answered clearly. The Committee then presents its views on the defense budget in the form of suggested changes to the Public Finance Committee. This usually happens during a plenary session. Members of the Public Finance Committee can also suggest changes to the defense budget. [Ref.2]

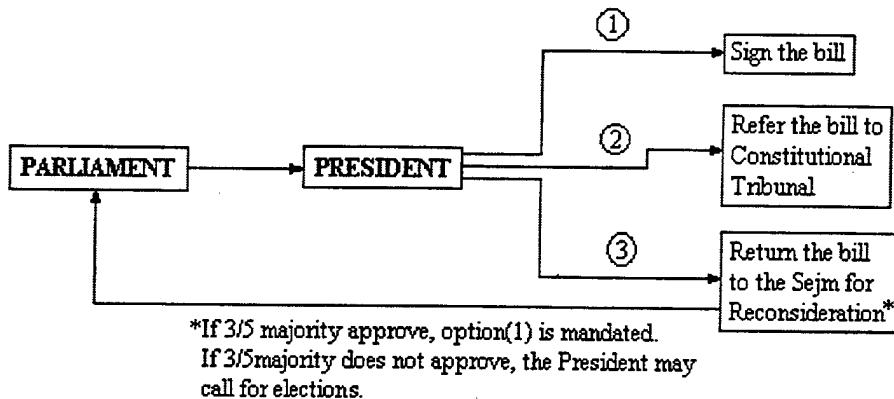
After reaching a consensus on the final version of the State Budget, the budget is sent to the Senate for consideration. The Senate review takes the same form as the hearings in the Sejm. The committee specializing in defense matters, the Senate's National Defense Committee, revises the defense budget. The Committee that has authority over the entire State Budget, the Senate's National Economy Committee, can also make revisions. Just as in the Sejm, MoND officials provide testimony to the members of the Senate's National Defense Committee. [Ref. 2]

Members of both chambers of the Parliament vote for the defense budget when voting on the State Budget. If the budget bill approved by the Sejm is also approved by the Senate, it goes directly to the President for final approval and signature. If the Senate does not take any action within 30 days after the Sejm has forwarded it, the bill goes directly to the President too. Another option available to the Senate is to amend or to reject the budget proposed by the Sejm. In this situation, the Sejm can override the Senate action and the bill is sent to the President for approval. In case of a lack of vote to override, the Sejm must conduct the whole process of budget considerations, addressing the action taken by the Senate, and pass the revised version of the bill at issue.

#### **4. Signing of the Defense Budget by the President**

The President chairs the National Defense Committee. The Presidential advisory body, the National Security Bureau (BBN), provides the Minister of National Defense with critical ad-

vice, as the defense budget is prepared. In addition, the BBN helps the defense committees in the Parliament when they consider the defense budget. The final version might differ from the preferences articulated by the President in the early stages of the State Budget. Trade-offs in the process of approving the budget are nothing new. In this situation, the President has several available options. Figure III-6 presents the options available to the President.



**Figure III-6 Options Available to the President when Approving the State Budget<sup>30</sup>**

In the process of approving the State Budget, the President has three options:

1. The President may approve the budget;
2. The President may refer the bill to the Constitutional Tribunal;
3. The President may send the bill back to the Sejm for reconsideration. [Ref. 12]

If the President chooses the first option, funds are immediately available to the MoND. In case of the second option, two subsequent alternatives exist. The President must sign the bill if the Constitutional Tribunal rules that no law in the State Budget is violated. Otherwise, the problems within the State Budget must be resolved. The President's third option involves sending the budget bill back to the Parliament for further consideration. In this situation, the Sejm can override the presidential objection by a majority of 3/5 of all members of the Sejm. If that happens,

<sup>30</sup> NPS Report: "Proposed Blueprint for Polish National Acquisition Strategy," Naval Postgraduate School, Monterey CA 2000.

the President must sign the budget bill. Otherwise, there are two more options available. The first is that the political stalemate resulting from lack of an override must be resolved by the Sejm agreeing with the option proposed by the President. The second option, more dangerous, is that the President can shorten the term of the Parliament. [Ref.12]

### **5. Execution of the Budget**

The execution of the budget is perceived as gathering and spending money provided by the budget and execution of the material plans that were submitted as the budget was prepared. During the execution of the budget, several regulations, included in the budget law must be considered. According to the budget law, the complete execution of the budget happens during the period established by the regulations and the material plans. Budget Holders cannot exceed the limits imposed on them. In the process of executing the budget, the government is assigned a special role. The government holds the overall control over the execution of the budget. The following are the main players in the execution of the defense budget:

- The Council of Ministers;
- The Minister of Finance;
- The Minister of National Defense.

The Minister of Finance is the executor of the budget from the operational point of view. His duties and obligations are multiple. The Minister of Finance controls the execution of revenues and expenditures of the state and tries to keep the budget balanced. The balance is established annually by the Budgetary Status (the State Budget). [Ref. 13]

The Minister of National Defense controls the execution of the defense budget by organizational units that are subordinate to him. He is the Level I Budget Holder of the state budget in part number twenty-nine of the State Budget, dedicated to the national defense. [Ref. 13]

Within the Ministry of National Defense, there are also Level III Budget Holders who report directly to the Minister of National Defense. They make centralized expenditures. [Ref. 13]

Subordinating all budget holders to the Minister of National Defense allows democratic control over the military forces. However, budgetary decisions are often made in a two-fold manner. The Minister of National Defense, who is the Level I Budget Holder, makes major decisions considering the defense funds. The Chief of the General Staff also makes those kinds of decisions; however, he is not the budget holder. [Ref. 13]

Execution of the defense budget begins with establishing and submitting to the Minister of Finance the execution arrangement of the defense budget within the limits established by the State Budget. This must occur within 14 days after the State Budget became law. [Ref. 13]

The Minister of National Defense divides the total amount of the defense budget among the Services, the Military Districts and the subordinate Level III Budget Holders. Three periods of 14 days exist during which the execution of the defense budget reaches the lowest level—military units. This is because each budget holder has 14 days to prepare its respective execution plan of its assigned portion of the defense budget. [Ref. 13]

Several instruments help in executing the defense budget. These instruments include the following:

- Executing Arrangement of the Defense Budget;
- Limits and Directive Tasks;
- Postponements of the Planned Expenditures during The Fiscal Year;
- Institution of “Reducing” the Expenditures;
- Denying Access to the Funds while Executing Them;
- Annual Schedule of Allocation of Funds;
- Completion of Financing of the Budgetary Tasks from the Special Funds. [Ref. 13]

The next section explains how the budget is executed and controlled. This section includes the control conducted by the Ministry of National Defense itself, as well as by the special governmental agencies and institutions.

## **D. CONTROL OVER THE IMPLEMENTATION OF THE BUDGET**

Control over spending is important, especially in the situations where the size of the budget cannot cover all requirements. Many different control systems in the field of spending public money exist; however, none provides ideal results.

The goal for controlling the execution of the budget is to reveal any violations of budgetary discipline and to prevent these violations from occurring in the future. By the term “budgetary discipline,” one should understand the rules described below affecting matters involving acquiring and spending budgetary funds.

This section is divided in two subsections. These subsections cover the control by governmental agencies over the execution of the defense budget and the control by the Ministry of National Defense respectively.

### **1. Control by Governmental Agencies**

As specified in law, Parliament is the main body in Poland to control the execution of the budget. In particular, the lower chamber, the Sejm, has extensive experience in controlling the budget. The Sejm influences the budget in all its stages. The control of the Parliament over the State Budget has multiple stages:

- Stage one: control over the State Budget that will be passed;
- Stage two: control over the State Budget that has been passed;
- Stage three: control over the State Budget that has been or is currently being executed and the interest in the way it was/is done. [Ref. 13]

Another form of control over the budget is making it available for public review. However, the control over the budget cannot limit itself to making it public. The Supreme Chamber of Control<sup>31</sup> (NIK) of the Republic of Poland is the institution that has to provide governmental control over the whole State Budget. The NIK is subordinate to the Sejm. [Ref. 12] This governmental agency controls, in particular, “the carrying out of the State Budget and execution of other bills and laws in the field of financial, economic and organizational-administrative performance.”<sup>32</sup>

NIK submits to the Sejm among others the “Analysis of Executing of the State Budget and Assumptions about the Monetary Policy.” That the NIK pays particular attention to the National Defense in matters involving the defense budget is highly important. This is reflected in the structure of the NIK, which includes the Department of National Defense Funds among others. [Ref. 13]

The Constitution of the Republic of Poland requires the Council of Ministers, within five months after the end of the fiscal year, to submit to the Sejm an annual report on implementing the Budget, together with information on the State debt. [Ref. 12] This is another form of budgetary control, which makes the Council of Ministers particularly interested in the lawful execution of the budget. The Constitution also says:

Within 90 days following receipt of the report, the Sejm shall consider the report presented to it, and, after seeking the opinion of the Supreme Chamber of Control, shall pass a resolution on whether to grant or refuse to grant approval of the financial accounts submitted by the Council of Ministers. [Ref. 12]

In the case of refusing to grant the approval of the financing accounts, the Council of Ministers should resign their duties.

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<sup>31</sup> <http://www.nik.gov.pl/english/spis.htm>.

<sup>32</sup> Government of Poland, Act of 23 December 1994 on The Supreme Chamber of Control, translation made by the author.

## **2. Control within the Polish Armed Forces**

The Minister of National Defense is responsible for control over the defense budget.

Three bodies within the MoND help the Minister with this task. The following are the control institutions within the MoND:

- The MoND Budget Committee;
- The Budget Department; and
- The Control Department. [Ref. 13]

The MoND Budget Committee can request any information concerning budget matters from any person directly or indirectly involved in and responsible for preparing and executing the defense budget. This Committee assesses the execution of the central programs imposed by the Central Institutions of the MoND. It sets priorities and shifts funds to their most efficient use. The commanders of the lower levels are required to create similar committees to provide both continuous control over the execution of the budget and over the flow of information about this control through the chain of command. [Ref. 13]

Another form of control over the budget is the “Law of Public Procurement.” However, this form of control will not be discussed because it is beyond the scope of this thesis.

The Director of the Budget Department provides additional control over the defense budget. Particularly important in this process of control is the role assigned to the Chief Accountant of the Armed Forces (Deputy Director of the Budget Department). His signature on the documents means that the current activities of the budget can be continued. A refusal to sign these documents means approval for continuing with the execution of the budget is withheld. Any mistakes, violations of the budget law and procedures must be corrected. Improvement must be exhibited or the next failure causes disciplinary repercussions.

As one can see, the Polish budgetary system is rather complicated, with some areas that seem to be unclear. One of these areas is the lack of clear accountability for the goals and priorities established in the Ministerial Guidance in terms of detailed amounts of funds necessary to meet goals.

Another interesting aspect is the fact that Level III Budget Holders are excluded from creating and preparing the defense budget. Their role is to transfer assigned funds to the lower executors of the defense budget. Among the Level III Budget Holders are some who report directly to the Minister of National Defense. They do not fit into the framework of division because the tasks they perform are not of the same nature as the tasks of the Level II Budget Holders.

The next chapter analyses possible problems and prospects if the government of Poland decided to implement a modified version of the PPBS.

## **IV. PROBLEMS WITH AND PROSPECTS FOR CHANGING THE PROCESS IN POLAND**

### **A. INTRODUCTION**

The replacement of one system for another rarely works effectively. This chapter presents both the problems and the prospects associated with the possible implementation of a PPBS-like system by the Polish Ministry of National Defense. The term a PPBS-like system is used here because there is little possibility of adapting a system that works in one place under one set of conditions to another place, in which conditions very often are quite different. For that reason, adopting the US PPBS without change is unrealistic.

Future war scenarios will differ substantially from past wars. Military forces of the future will have to be significantly more strategically mobile. [Ref. 16] Other features of the future military forces will include increased tactical survivability and operational agility. Finally, greater emphasis will be placed on more technically advanced equipment that will be connected to a network of various defense systems. This technology will allow future armed forces to conduct assaults on any targets from distant ranges. Such technological requirements or standards must be met. However, financing such an enormous effort will be monumental. Owing to scarce resources, many nations, including Poland, will face difficulties trying to attain such technology. After Poland regained its independence, the Polish armed forces inherited a significant amount of Russian equipment. This equipment is not compatible with Western standards of armament and the force structure that Poland hopes to attain.

To meet these standards, a system is required that would manage available resources. The American PPBS is such a system. According to many US experts, this system is perceived as superior to other systems used by American governmental agencies in managing their resources. However, in the present environment in Poland this system has to be modified to meet current requirements. [Ref. 16]

This chapter is organized as follows: The first section presents possible problems that the government of Poland may face when implementing the PPBS-like system. The first subsection presents problems associated with the legal base of both systems. The second subsection addresses problems connected with the scope of national interest. The last subsection presents the differences of the military structures that can cause possible problems that may emerge during the implementation of such a system.

The second section of this chapter presents possible prospects resulting from implementing a PPBS-like system. The section covers military advantages and economic advantages that might result from implementing a system similar to the American PPBS.

## **B. PROBLEMS WITH IMPLEMENTATION OF A PPBS-LIKE SYSTEM**

The first problem is the significant differences in the legal basis of both the PPBS and the Polish budgetary system. The second area is connected to the different scope of the national interest between the US and Poland. The last problem is the different structure of the armed forces of Poland and the United States.

### **1. Legal Problems**

Legal differences that exist between the US and Polish systems might affect the implementation of a PPBS-like system in Poland. The United States and Poland have quite different

political systems. The President of the United States is required to submit the budget draft to the Congress for further considerations. To accomplish this legal requirement, the whole PPBS is used. In Poland, the President legally approves the state budget. Approval occurs only if the state budget reflects the presidential point of view. If the state budget does not reflect his view, it can be sent to the Parliament for further consideration or to the Constitutional Tribunal for adjudication of the conformity of the state budget to the Constitution. This means that the President of Poland has a broader set of options for dealing with the state budget. By contrast, the President of the United States submits his final version of the state budget to the Congress, which then modifies it. As the head of state, the President of the US supervises the process of creating the draft of the state budget. The President of Poland does not have the supervisory role throughout the preparation of the State Budget draft, although he also approves the state budget, as does the President of the United States.

Another legal difference between the two budgetary systems is that the Polish budgetary system is conducted on an annual basis whereas the PPBS is a biennial process with the output, the defense budget, submitted to the President every year. There is no law in Poland that would allow the Minister of National Defense to conduct the budgetary process on a biennial basis. The Constitution of Poland is clear in this matter. It requires the government of Poland to submit the budget draft to the Parliament for considerations on an annual basis. Although the Minister of National Defense has the right to issue regulations regarding the budgeting process of his agency, the final product must be compatible with the budget law, which does not provide for a biennial basis for making the budget.

The next important difference between the US and Poland concerns the classification of budgetary expenditures. The Polish defense budget is divided into thirteen sections. These sec-

tions are organized to reflect the objectives or tasks of the budget. The budget presents expenditures according to the intent of the Minister of National Defense. This division does not name any specific person responsible for a particular section of the defense budget. Additionally, there are chapters within these thirteen sections. For example, the National Defense section is divided into twelve chapters. These chapters address particular budget holders who are responsible for expenditures.

In the US, the division of the defense budget into Major Force Programs addresses the international security conditions that the United States faces. These programs, with further divisions into Program Elements, present the means for executing the National Security Strategy and the National Military Strategy. In Poland, no visible linkage exists between the division into sections or even chapters and the national strategy.

## **2. Problems Associated with the Scope of the National Interest**

Among the many differences that occur between Poland and the United States, the scope of the national interest is one of the most significant. The US national interest is reflected by the way the PPBS is conducted, by the way the military forces are structured, and by the scope of tasks they are able to perform. The first impact can be seen in the construction of the FYDP. The Major Force Programs reflect the structure of the military forces that must help protect the national interest of the United States. To articulate the US presence in many areas of the globe, the Unified Commands were created. Although these commands do not prepare the POMs (with one exception) or the PDMs, they are crucial for the whole PPBS process. The Unified Commanders are perceived as the representatives and military supporters of the US interest. By their presence in a region, a particular CINC is able to determine a regional situation, the means required for stabilizing or improving the situation or even intervention.

One of the most valuable inputs to the American PPBS is the Joint Strategic Planning System (JSPS). The whole JSPS is conducted by the Joint Chiefs of Staff. The Chairman of the Joint Chiefs of Staff supervises the process and then furnishes the President with the results of this process. The JSPS is conducted to provide the Chairman with the necessary information concerning the US military forces around the world. This assessment controls the ability of the US forces to conduct different types of military operations required by the different conditions in which they operate. Such a process does not exist in the Polish Ministry of National Defense.

In Poland, the presence of Polish military forces in other countries reveals its approach toward Poland's allied commitments and international obligations. However, no process exists that would assess the ability of these forces to conduct different types of operations.

### **3. Structural Differences of the Armed Forces as the Source of Problems**

The structure of the military forces represents another factor that might have negative implications for implementing a PPBS-like system in Poland. The FYDP, which is the core element of the PPBS, reflects a general division of the US armed forces into different types depending on the mission and engagement required. The FYDP does not divide the forces into branches but it divides them according to the purpose they are going to serve. This approach aggregates the overall forces from different services.

In Poland, there are some attempts to do something similar to this type of division; however, this attempt covers only units included in the rapid reaction forces. The rest of the forces are divided according to the branch division. The budget preparation for the rapid reaction forces is conducted in the same manner as for the rest of the military units. Another important issue arises from the fact that Poland does not have certain types of military forces. For example, Poland does not have a counterpart to the American forces included in the Strategic Forces Pro-

gram, whose missions encompass intercontinental or transoceanic inter-theater responsibilities. Additionally, operational management, headquarters, logistics and support organizations associated with these strategic forces are included in this category. The appropriate structure of the FYDP should be developed to reflect actual needs and requirements resulting from both the structure of the Polish military forces and the geopolitical location of Poland. The Strategic Forces Program is not the only example of different military structures. Another example is the sealift forces included in the Mobility Forces Program. To date, Poland has no need for carriers.

The American CINCs can be treated as an equivalent to the Polish Military District Commanders. Since the Military District Commanders are also the Level II Budget Holders, they must prepare their budgets. Although these two groups have some similarities in their tasks and responsibilities (while the CINCs' tasks are broader in scope), the budgetary responsibilities of these two groups are vastly different. While the Unified Commanders prepare and submit Integrated Priority Lists (IPLs) that articulate their operational requirements, shortfalls, and specific concerns, the Military District Commanders are legally required to prepare and to submit the budget draft for their subordinate units' activities and undertakings.

These are not the only examples of potential difficulties while implementing a PPBS-like system. The whole structure of the Polish military forces is established to meet requirements of the current budgetary system. For many departments the implementation of a PPBS-like system would be a major change. Right now, almost all players involved in the defense budget planning process are tightly connected to the current system. The introduction of a PPBS-like system would redesign the current structure, which should be different if a new system would be implemented.

Another problem would emerge in the management of the programs that involve major acquisition issues. Some of the programs developed by the services would establish the need for major procurements. In the US, the PPBS is tightly connected with the acquisition system. The Program Manager leads each major acquisition program. In Poland, there is neither such a position nor a career path established.<sup>33</sup>

As a new undertaking, introducing a modified version of the PPBS would generate many different problems. Although these problems would differ in their scope, they can be solved if an appropriate level of involvement among all important parties within the system emerged. The next section presents incentives that arise from the possibility of implementing a PPBS-like system that should be seriously considered when choosing the appropriate budgetary system for the Polish military forces.

### C. PROSPECTS FOR IMPLEMENTING A PPBS-LIKE SYSTEM

In spite of some problems, several incentives exist that support the implementation of a PPBS-like system in Poland. The most important incentive is fact that the goal of the PPBS is "to provide the best mix of forces, equipment and support attainable within the fiscal constraints." [Ref. 7] There are at least two important facts behind this. The first one is that all resources are always constrained. Naturally it is impossible to have a situation in which all needs can be satisfied. Secondly, the best mix of forces can be attained only after careful analysis. For Poland, which has limited defense resources, a system that would accomplish the allocation of scarce resources is highly desirable. Particularly, introduction of a systematic approach, which the FYDP

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<sup>33</sup> More specific information on this issue can be found in the report: "Proposed Blueprint for Polish National Acquisition Strategy," Naval Postgraduate School, Monterey, 25 October 2000.

presents, would greatly improve financial management and would create a long-term approach toward military planning.

Long term planning is another benefit that emerges from implementing a PPBS-like system. This approach helps match the financial resources with the plans concerning national strategy. This approach also provides some economic and strategic advantages. They would include the financial consequences of alternate decisions, different alternatives that emerge from the planning process and the potential trade-offs among these alternatives. The last incentive would be to provide a way of thinking in terms of programs rather than input categories. Programs that formally realize the national strategy could gain more attention from the Parliament members because they could affect their constituents.

This section provides an analysis of possible prospects emerging from a system based on the American PPBS. This section covers only two dimensions. The first dimension is the military advantage arising from the implementation. The second one covers the economic incentives for introducing a PPBS-like system.

### **1. Military Advantages of Implementing a PPBS-like System**

The main goal of the PPBS is to provide the best mix of forces within the budgetary constraint to meet the US national and military objectives. Implementing a PPBS-like system and a core document of this system, the FYDP, would create a means for supporting a national strategy.

#### *a) The Prospects Emerging from Adopting a FYDP-like Structure*

The PPBS process provides the Secretary of Defense with the set of programs that reflects the best mix of forces attainable within the fiscal constraints. The FYDP is a document that keeps all these programs together, reflects any changes in the external environment by alterations made within programs. Even more, it translates the defense budget from inputs, such as

personnel and procurement, into forces. In case of the United States, these forces include strategic retaliation forces, airlift and sealift forces. Finally, the FYDP translates these forces into outputs, which are measured by the number of targets destroyed or number of lives saved. The last forty years showed much proof of the effectiveness of such an approach.

The first benefit of implementing a PPBS-like system in the Polish Ministry of National Defense would be creating a database similar to the FYDP. The Future Years Defense Programs is the heart of the PPBS process. According to the creators of the PPBS, creating Major Force Programs, as in the FYDP, presents the best approach for accomplishing the goals of the National Security Strategy and the National Military Strategy. Poland can take an approach similar to the original American FYDP when establishing the appropriate division into MFP-like programs. This division would not favor any particular service or governmental agency. On the contrary, the national strategy has the first priority. The services and other governmental agencies would have only one task—to meet the objectives of the national strategy.

Another important incentive resulting from introducing a FYDP-like structure would be the fact that the FYDP covers an eleven-year period. In Poland, the period of coverage could be different, depending on the particular needs that would reflect local conditions, the external environment and probably political trends within the state. However, whatever the length of the period would be, extending the programs into the future would allow the Minister of National Defense to determine when systems or forces should be canceled or extended for the next four years if there were any important reasons or needs for an output, which that system or force would provide.

The fact that the FYDP was perceived from the very beginning as the best method for creating alternatives for the service programs is another positive benefit. By creating alterna-

tives and by considering them carefully, taking into consideration many different aspects (cost effectiveness, opportunity costs associated with particular programs or overall benefits for the nation or for the society), both the military and the civilian decision makers could ensure that the national defense obtains the best mix of forces within the fiscal constraints. For example, reviewing alternatives in this way would allow military decision makers to eliminate duplicative programs, thus saving money.

*b) Advantages Resulting from Introducing the Defense Planning Guidance*

The intent of the Defense Planning Guidance (DPG) is to guide the military services as they attempt to meet the goals established in the National Security Strategy (NSS) and the National Military Strategy (NMS), to underline issues of specific concern, and to determine departmental priorities. [Ref. 16] The form of this document changed recently from a more detailed and specified document related to particular programs to a more general document that left more space for the services for interpretation. Conducted effectively, with a sufficient commitment of high ranking officers from the Chancellery of the Minister of National Defense, such a process would greatly help translate the armed forces' vision, once it is shaped, by outlining particular programs and leaving room for interpretations and innovations.

Although the Minister of National Defense issues annually the Guidance of the Minister of National Defense for the Defense Budget Planning, this document does not translate the objectives of the Ministry of National Defense into meaningful programs. On the contrary, it articulates the main undertakings for organizational changes, R&D, acquisition of new equipment and systems, maintenance of equipment currently in use, investment in new facilities and maintenance of the current facilities, and training and retainment of personnel. Additionally, this document conveys limits on both expenditures and the number of positions for civilian and mili-

tary personnel for particular budget holders. Finally, it presents propositions for systemic changes. Adopting the DPG approach would establish the means of converting the objectives of the Ministry of National Defense into meaningful requirements that should be considered when formulating programs. The Strategic Planning Process would articulate and provide a necessary approach to create a DPG-like document.

Finally, both a FYDP-like structure and a DPG-like document would significantly change how budgeting is now conducted in the Polish Ministry of National Defense. A clear translation of national strategy into a set of well-arranged Major Force Programs would conform any new program to the national strategy and to the objectives of the armed forces. The Polish Armed Forces would receive the best mix of forces matching the budget constraints. In addition, this mix would present the most effective and efficient set of programs. Each element of a particular Major Force Program would be explained during a thorough review of the many options available and would be supported by well-articulated reasons for implementation. The next subsection presents economic incentives for adopting a PPBS-like system.

## **2. Economic Incentives for Changing the System Currently in Use in Poland**

Implementing a system based on the American PPBS would create several economic incentives. Presently one can observe the effort of the US government to improve financial management within federal agencies. As an example, the Government Performance and Results Act of 1993 is used. It requires every governmental department or agency to present a strategic plan. Conducted properly, the strategic planning process should consider the mission of an organization, articulate the goals related to the mission, create objectives for achieving these goals, and finally establish measures that would help identify the degree of success in pursuing the objectives set.

Particularly, introducing a database similar to the FYDP would allow the Ministry of National Defense to structure the National Strategy into major missions that would execute this strategy. From the economic perspective, this approach would generate several important benefits. These would include identifying the cost implications of alternative decisions and the alternatives themselves and the trade-offs could be considered systematically.

From the very beginning, the FYDP structure was intended to establish a mechanism for creating and shaping alternatives to the service programs. [Ref. 16] Then these alternatives would be integrated by making trade-offs intended to better shape overall product. The intention to focus on defense output would help solve problems associated with preferences of one program over another.

*a) The Long-Term Planning*

Extending the FYDP for eleven years provides additional economic incentive. The FYDP approach helps focus the attention of decision makers on the long-term expenses of a particular program. Instead of concentrating on a down payment, they would consider the overall costs of a particular program when deciding whether or not to approve a program. Such a long-term approach to cost would avoid the situation in which an approved program would not be re-evaluated periodically. For example, the Air Force baseline extension procedure requires the Program Elements Monitors to chose programs that would be extended. Other programs that are not chosen for extension compete for the remaining scarce resources.

Another opportunity is generated for the particular contractor for any program. In the case of the multi-year budgeting, the program spanning over an eleven-year period with a possibility of extending it further is a good opportunity for investing in a firm that might be interested in military contracts. The long-term approach provides a required level of certainty for

any private entrepreneur willing to sign the contact for goods or services. Each program would establish its own timeline of milestones. Detailed dates should be provided. These dates would give a legal base if any problems with implementation or development would occur. The case of the jet plane “Iryda” is a negative example of a program that was never finished. This plane was to be commissioned into service in the 1980s. To date, there are no Irydas flying in the Polish sky. The program, however, is still partially funded.<sup>34</sup> This occurred due to the strong position of the unions.

The idea of long-term planning would find an even better opportunity if the majority of the government-owned factories in Poland which provide military equipment were privatized. Examples in many western countries (the leading example is the United States) prove that many activities concerning military matters do not have to be necessarily conducted by the military forces themselves. Because of the different structure, private sector enterprises can do the same research or development project with a higher degree of effectiveness and efficiency. The military forces are another form of bureaucracy. One of the characteristics of the bureaucracy is its unwillingness to change. Rules and regulations are the core of its existence. Although they can be very efficient, military forces take a long time to adapt to a changing environment. Private firms can respond much more rapidly.

Some services used by the Polish armed forces can be outsourced. The idea of outsourcing is quite popular among many US firms at the beginning of the twenty-first century. Outsourcing can create significant savings for government because it does not require maintaining a large work force or necessary equipment. It is just another contract with the price agreed upon by both sides.

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<sup>34</sup> [http://www.mofnet.gov.pl/budzet\\_panstwa/ustawa.shtml](http://www.mofnet.gov.pl/budzet_panstwa/ustawa.shtml).

Adopting a long-term approach toward planning would require some measurements of achievement. Attention should be paid to what is being measured. If established and conducted thoroughly, the long-term planning approach would generate means of measurement that should concentrate on the outputs and outcomes of these outputs. This would allow for an effective measurement of the usefulness of a particular program or program element. A military organization may find it difficult to change a measurement system that is based on the effort undertaken and not on an outcome. A clear and common means of measurement for all services would help to create the basis for comparison of similar programs used by the different services. It would also help assess the usefulness of the program in a long-term. This assessment could be used as a reference while comparing or making choices between similar programs competing for the scarce resources. This is particularly important in the situation of Poland, where military forces face the situation of many urgent needs in different areas like modernizing the armed forces or allied commitments and limited resources to meet these needs.

**b) *The Strategic Approach toward the FYDP and Planning Process***

The best approach for introducing the FYDP and the best way of preparing and creating programs would be strategic planning. Strategic planning itself would create several incentives and can be conducted in several ways. The first approach is called the “Synoptic Approach.” Another is called the “Strategic Issues Approach.”

The synoptic approach can be summarized as a conscious, rational planning effort by which top executives formulate the organization’s goals, oversee their implementation, and measure their progress. At the same time, adjustments to the organization’s goals are made as the external and internal environment that the organization is dealing with changes. [Ref. 17] Sometimes this approach is called the “goals approach” because of the hierarchy of goals that cascades

down the organizational chart from very general goals at the corporate level into more detailed and specific goals at the operational level.

The second approach, Strategic Issues Management, enables key executives to concentrate on key issues rather than comprehensive goals. By strategic issues one should understand a problem that any organization is facing. This problem should affect an organization and the most important aspect is that an organization should be able to do something positive about that. This approach contains ten steps which include:

- Initiate and agree upon a strategic planning process.
- Identify organizational mandates.
- Clarify organizational mission and values.
- Assess the organization's external and internal environment to identify "Strengths, Weaknesses, Opportunities and Threats"—SWOT analysis.
- Identify the strategic issues facing the organization.
- Formulate strategies to manage these issues.
- Review and adopt the strategic plans.
- Establish an effective organizational vision.
- Develop an effective implementation process.
- Reassess strategies and the strategic planning process. [Ref. 18]

The Strategic Issues Management approach fits the environment of the Polish Ministry of National Defense better. This statement is supported by American experience in introducing the Government Performance and Results Act. Nancy Roberts points out several reasons why the synoptic approach does not fit governmental agencies within the United States. [Ref. 17] Many agencies exist within a politicized environment. In this kind of environment, one can distinguish many different stakeholders, often, with conflicting interests. This fact makes the synoptic approach almost impossible to apply. Because the synoptic approach is a conscious, rational planning approach, it is difficult to satisfy the needs and expectations of all the stakeholders.

The Polish Ministry of National Defense exists within a situation where many stakeholders with different levels of power coexist and exercise influence. The multi-party political arena creates a situation where different parties have different perceptions of the Polish military forces. On the one hand, in a case of constrained resources that are assigned to the Ministry of National Defense, there are always parties that claim that the military forces receive too much funding and other social areas of governmental responsibility are being neglected. On the other hand, some parties present an opposing position. An example of this argument is seen in the case of setting the constant rate of the Polish GDP for the defense budget by the Plan of Modernization of the Armed Forces until year 2006, which is perceived by some politicians as favoring the military establishment. [Ref. 10]

Let's examine some of the steps involved in the Strategic Issues Management Approach. The ten steps creating the process of strategic planning can be highly useful if approached properly. The first step would allow high ranking decision makers within the MoND together with the Minister of National Defense to agree on the need for a new, more efficient planning system within the MoND. If there is no agreement on the kind of a planning process the leaders are going to follow, there is little chance for efficient planning at all. [Ref. 18]

The second step seems to be particularly important. Clarifying organizational values and missions for the MoND would help more than budgetary matters. Although the external environment (unemployment) still forces many young people to join the military service, after graduating from military academies these officers find better career opportunities outside the MoND. Similarly, enlisted personnel, even though subject to the draft, also secure better opportunities outside the MoND. Young people treat the compulsory military service as a penalty. It is hard, naturally, to develop any kind of commitment among such soldiers. However, the manage-

rial theory and human resource management theory state that if an organization clearly articulates and promotes its values and if these values meet the values and expectations of the work force, this helps to increase the commitment and efficiency of the employees. Employees committed to a job, in this case, soldiers from the draft, mean greater savings, less waste, higher efficiency and effectiveness.

The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, which is the next step, can create several opportunities for the military forces. The main goal of performing a SWOT analysis is to assess the external and internal environment in which the organization exists. Several opportunities might help the Polish armed forces in conducting their mission. For example, introducing a PPBS-like system would help manage scarce resources that are assigned to the military forces. Another opportunity might stem from privatizing the governmental factories that supply the majority of military needs. The SWOT analysis also helps identify the threats that an organization is facing. One of these threats might be a possibility of reducing the money spent on defense.

If done thoroughly, the SWOT analysis provides the decision makers with a list of strengths and weaknesses in the organization. Additionally, the SWOT analysis identifies major stakeholders interested in an organization. A careful analysis of major stakeholders, and detecting how they assess organizational performance might be very helpful. Conducted on a regular basis, the SWOT analysis can be an excellent source of information about both the organization itself and the environment surrounding it. The latter can be particularly important when conducting the planning phase of a PPBS-like system.

Based on the SWOT analysis, the next step requires identifying strategic issues that the organization is facing. A strategic issue is a major problem that an organization is facing

day-to-day. This problem must affect the long-term existence of an organization and an organization must be able to do something positive about this problem. If an organization cannot do anything, the problem is not a strategic issue. Right now, several strategic issues can be identified. The first strategic issue would consider modernizing the Polish armed forces. Another issue could be associated with fulfilling Poland's commitment to NATO. These examples of strategic issues appear to be very important, especially because they are publicized on the official web page of the Polish armed forces.<sup>35</sup>

Having identified strategic issues that the Polish Ministry of National Defense is facing, high-ranking decision makers from the MoND could next formulate strategies and plans to manage the strategic issues. This step would provide the decision makers with the list of programs that should be undertaken if the objectives of the Polish armed forces were to be achieved. This step encompasses not only developing a particular program but also a detailed resource allocation. If well approached, this step could be implemented as a programming and budgeting phase of an adopted PPBS-like system. To be more comprehensive, the strategic plan development should be transferred to the services. This step of the strategic planning process is closely related with the next step, which is described below.

Once both the strategies and plans are established and a consensus emerges among the major stakeholders and decision makers involved in the planning process, the Minister of National Defense and then the Parliament would review of the developed strategies. The only difference that is highly important in this step concerns the attention that the organization should pay to how success is measured. Clearly, a strategic planning process pays a significant amount of attention to the output of an action. The means of measurement should be directed to-

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<sup>35</sup> [http://www.wp.mil.pl/mon/2\\_4.html](http://www.wp.mil.pl/mon/2_4.html)

ward output and outcomes not toward efforts undertaken. Therefore, developers of the strategies should pay significant attention to the manner in which they define means of measure.

A process of reviewing and adopting strategic plans can be associated with the POM review process. To be more detailed and not overwhelming for the Minister of National Defense, several stages should be added, in which higher-level Budget Holders can examine the strategic plans developed by their subordinates. The final review would involve the Level II Budget Holders. The next step in reviewing the strategic plans would be examining them from the financial point of view. The Budget Estimate Submission could be assessed during this process.

Having established and approved the strategic plans, the military planners together with other major stakeholders, would be able to establish an organizational vision, which entails the next step in the Strategic Issues Management process. The vision should reflect the stage of the armed forces that major stakeholders would like the armed forces to achieve. This vision should encompass the most crucial aspects and issues associated with national defense and national strategy and the security of the state. If it is clear, the vision could be easily understood and adopted by all soldiers and civilian personnel. An organizational vision that can be adopted by all organizational members can help increase productivity and increase the commitment of the members of the organization. It would be significant and valuable if each service had its own vision.

The implementation process, which follows establishment of the organizational vision, would incorporate a timeline of the established processes. With a clearly defined means of measurement, the programs themselves would be a good way of achieving the goals included

in the national strategy and the goals in the vision of the armed forces and each individual branch.

The last step in the Strategic Issues Management process considers an evaluation of strategies and plans implemented. This stage would need to establish the means by which the performance of the Polish armed forces could be measured. Once introduced, the plans and strategies, if measured efficiently, could provide enough data for the decision makers to evaluate the possibility of either phasing out or extending programs. As mentioned earlier, these means of measurement should concentrate on outputs and outcomes of the process, not on the inputs. A clear process should be established by which different services could be compared and different programs assessed. High-ranking officers and generals from the Central Institutions of the Polish Ministry of National Defense should be involved in this process.

One point is quite important. Once established, the strategic planning process does not have to be started from the first point. It appears that several organizations could start from different steps. Nothing is wrong with this approach. Only one aspect is crucial: The organization has to do something positive about strategic issues.

The next chapter presents conclusions and recommendations for the possible implementation of a PPBS-like system in Poland.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **A. CONCLUSIONS**

This thesis addressed the issue of adopting a PPBS-like system in the Polish Ministry of National Defense. The main goal was to identify the possible problems and prospects if the Polish Ministry of National Defense decided to implement such a system.

The Planning, Programming and Budgeting System is a system that for many years has provided US military decision makers with an approach that enabled them to create the best mix of forces required to meet the goals of both the National Security Strategy and the National Military Strategy. The intent of the creators of the PPBS was to establish a system that would first define the goals that the military forces would pursue. Next, the necessary programs by which the services would attain these goals would be determined. These programs would be created by the services. Once created, the programs undergo a process of review by the OSD. The goal of the review process is to assess the usefulness of these programs and to compare them with alternatives proposed by the OSD. Selected programs should present the best approach toward achieving the goals established. After review and deciding which programs are acceptable, the funding requirements of each program are developed by the services and reviewed by the OSD. The SECDEF makes final decisions on programs and funding.

The comparison of the two budgetary systems shows that there are several significant differences between them. Particularly important are those resulting from the differences in the laws. By law, the defense budget of the Polish Ministry of National Defense is required to be compatible with the other parts of the State Budget. Because of this fact, the defense budget clas-

sifications are derivatives of the general classification that is imposed on other Level I Budget Holders by the Minister of Finance. The defense budget resulting from the imposition of the above compatibility requirement is just the subject division, where subjects are the different Level II Budget Holders within the MoND. On the contrary, the US defense budget presents a division of resources that translates the objectives of the National Security Strategy and the National Military Strategy into a set of Major Force Programs which are expected to meet these objectives.

Another difference stems from the fact that the President of the United States is legally obliged to submit the draft of the federal budget to the Congress. He exercises control over the process of preparing the draft. After Congress has made changes to his budget submission, the President either approves the parts of the budget or exercises the veto power. The President of the Republic of Poland represents the last step in the process of creating the Polish State Budget. He can either approve or reject the State Budget; however, he does not control the process of its creation. This difference results from the hybrid character of the parliamentary system in Poland.

Other differences result from the different scope of the national interest. The United States is the major power in the international system. This fact is reflected by forces that are different from those within the Polish military. An example is the aircraft carrier battle group. This type of force is included in the first Major Force Program of the U.S. defense budget, called the Strategic Force Program. The Future Years Defense Programs translates and expresses the major power interest of the US. Sustaining the Strategic Force Program clearly conveys the willingness of the United States to react quickly and decisively to different events in different parts of the globe that might endanger US interests.

By contrast, the national interests of the Republic of Poland focuses primarily on the regional matters that affect the country. Although there are some initiatives like the Wyshegrad Triangle, Polish defense objectives are quite different when compared to those of the United States.

Closely associated with the different scope of the national interest are the structures of the military forces. For example, there is no equivalent to the Joint Chiefs of Staff in the Polish military forces. Although the Chief of the General Staff in Poland can be compared to the Chairman of the Joint Chiefs of Staff in the U.S., the scope of responsibilities is quite different. The Unified Commanders can be used as another example of the different structures of the two armed forces. Although the Military District Commanders can be compared to the Unified Commanders, different budgetary obligations apply.

Despite many differences, there are many attractive prospects for implementing a PPBS-like system in Poland. This thesis focused only on two dimensions, military and economic. Several military advantages would emerge from implementing such a system. The most important is that implementation would result in the set of programs that would translate the national strategy into military means of achievement. In particular, introducing a FYDP-like set of programs would express the translation of the strategies into programs. Another positive incentive would be a long-term approach to the programs established. Next, implementing this kind of system would provide the military forces with the best mix of forces attainable within the fiscal constraints.

Introducing a Defense Planning Guidance-like document would establish a means of expressing the goals and translating the vision of the Ministry of National Defense into meaningful recommendations that would establish the basis for the services to develop their individual pro-

grams. Further, both a FYDP-like structure and a DPG-like document would establish the manner by which the programs could be created to reflect the national interests and then to assess program conformance with the goals established by the national strategy.

The major economic incentive resulting from implementing a PPBS-like system that the author perceives is the strategic planning approach to the whole system. The strategic planning approach toward the PPBS generates several advantages. They include the need for agreeing upon the way the planning process should be conducted, the assessment of the external and internal environment, accomplished during the Strengths, Weaknesses, Opportunities and Threats Analysis (SWOT analysis). The next advantage would be the benefit presented by long-term planning. The FYDP spans an eleven-year period. For Poland, the structure does not have to have the same range. However, a range longer than five years would create programs more interesting for contractors. Another positive fact would result from establishing a real means of evaluating the achievement of the goals established by the national strategy.

## **B. RECOMMENDATIONS**

First, the author recommends implementing a PPBS-like system in the MoND. The implementation of a PPBS-like system would allow for effective management of the scarce resources provided to the military forces. Furthermore, a PPBS-like system would enable the Minister of the National Defense and high-ranking military decision makers to translate the national strategy into a set of programs by which these goals would be achieved. The outcome of the process would present the best mix of forces attainable within the fiscal constraints. Finally, implementing a PPBS-like system would generate several economic incentives and advantages, not

to mention the long-term approach or savings resulting from the outsourcing of some services that are now conducted by the military itself.

The manner in which activities within a PPBS-like system are conducted is highly important for the success of such a system. The author recommends the strategic planning approach. Among the many advantages of this approach, perhaps the most important is an assessment of the external environment. Major stakeholders concerned about military matters in Poland would be able to contribute significantly to the efficiency and effectiveness of the management of the scarce resources. Particularly, attention must be paid to the means by which these stakeholders measure the results of the military activities to establish a common language between the military and stakeholders.

Second, the author recommends introduction of a FYDP-like structure that would establish the means for achieving the goals of the national strategy. As discussed earlier, the adoption of the FYDP structure as it looks in the American PPBS system is impossible because of many legal and structural differences between the Polish and the American military forces. The author suggests that a FYDP-like structure should reflect the actual needs and requirements of the Polish military forces. Major Force Programs or other major elements of a FYDP-like structure should have their roots in the national interests and strategy. They should reflect the structure of the Polish military forces and local conditions as they exist in Poland.

The author is aware of the fact that changing the law is a very difficult and time-consuming process. However, creating a FYDP-like structure should be accompanied by legally binding acts establishing rules for transforming that structure's elements into the draft of the budget that is compatible with other parts of the State Budget. Transforming that structure into the budget draft appears, to the author, to be the biggest problem for introducing a PPBS-like

system in Poland. However, to fulfill the requirement for compatibility, this issue must be resolved. A thorough discussion among parties and players involved in the process should be conducted while assigning major programs and program elements to particular Budget Holders.

The FYDP database and a similar format should be adopted for a FYDP-like structure. Depending upon the necessity, times when that database would be "locked" should be established. To avoid any mistakes and to provide users with accurate information, this rule should be strictly enforced.

The above recommendations, in the author's opinion, are crucial for implementation of a PPBS-like system in Poland. Implementing such a system would not be an easy task, however, if approached with a high level of commitment and professionalism it is quite feasible. It is recommended that the Minister of National Defense should coordinate the whole process of changing the current process. He should establish the change of process as a major priority during his tenure.

A third recommendation is the implementation of a document similar to the Defense Planning Guidance. This document would provide the services with guidance from the top level of the Ministry of National Defense. As a major document establishing priorities for the services, a DPG-like document could be used as the basis for other plans to be established. These would include long-term, mid-term and short-term plans. Another advantage is that this document would allow for changes as the external environment changes on an annual basis.

The final recommendation concerns the planning process. The author views the adoption of the Joint Strategic Planning System as impossible in Poland. There are several reasons for that. The first and most important is the fact the MoND does not have a structure that would resemble the Unified Commanders and the Joint Chiefs of Staff. While similarities can be found

between the Joint Chiefs of Staff and the General Staff, the scope of their responsibilities is quite different. The author recommends that the Chief of the General Staff should be responsible for the process preceding the issuance of the Defense Planning Guidance. Additionally, the responsibility for reviewing the proposals from the services should be granted to the Chief of the General Staff. The author perceives the creation of a process similar to the Joint Strategic Planning System as inevitable and required if an adopted system similar to the American PPBS is to succeed. The proper timeline reflecting the legal requirements for submitting the draft of the defense budget should be established.

This thesis provides many avenues for further studies. These would include the format of a FYDP-like structure and a detailed description of the responsibilities of the bodies shaping the outcome of a PPBS-like system. Another possibility for further study might be the measures by which achievement of the goals established by the national interest and national strategy could be measured. Finally, further studies could try to assess the possible saving if a PPBS-like system were implemented.

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